ACCOUNTANCY

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PROFESSIONAL NOTES

H.R.H. The Princess Elizabeth

We respectfully join in the universal expressions of rejoicing and good wishes on the wedding of Their Royal Highnesses The Princess Elizabeth and Prince Philip, Duke of Edinburgh. The enthusiasm of the thousands who thronged the route from Buckingham Palace to Westminster Abbey was a true reflection of the feelings of every British subject throughout the land.

A Half-hearted Budget

Mr. Dalton's Autumn Budget—inherited by Sir Stafford Cripps in the unprecedented circumstances of Mr. Dalton's resignation following his indiscreet disclosure of part of its contents to a newspaper reporter just before it was opened—was a half-hearted affair. Almost all commentators are agreed that the Budget does too little to secure what was its ostensible purpose, namely, to limit the inflationary potential. While it does rather more in this direction than some aver, for not only is the extra money raised in purchase tax withdrawn from circulation, but people will be less inclined to buy taxable goods at the greatly enhanced prices, it only toys with the essential problem of cancelling an appreciable part of the "loose money" in the system. Yet it must not be overlooked that the problem is fundamentally an intractable one, if existing money rates are not to be substantially raised. The excess of monetary incomes, less present voluntary savings, over the money value of the goods now available for purchase is only one source of the "loose money." The vast war-time accumulation of liquid assets, or assets that can readily be transposed into liquid form, is another and more important source, which taxation on incomes or on outlay will not much affect. If the suppressed inflation is to be defeated, Sir Stafford Cripps should take much more far-reaching steps than any his predecessor was willing to contemplate and, particularly, he must give serious thought to the level of interest rates, for it is difficult to see how anything other than higher rates, at least for some part of the mass of securities in which accumulated war-time assets are largely held, can secure that they will not form a persistent threat that the volume of liquid assets (that is, money) will be unduly enlarged.

In other parts of this issue (pages 281-2 and 288) we deal with the details of the Budget, and with its implications for finance and the City. Here it is only necessary to reiterate—what is demonstrated on the pages referred to—that, by penalising risk-bearing, the increased Profits Tax is, political considerations apart, incontrovertibly a move which is to be deplored from the point of view of maximising the incentive to produce. Surely to maximise this incentive is a main aim, and one would have hoped that, far from working against that end, Mr. Dalton would have done everything possible to attain it. Perhaps Sir Stafford Cripps will do better.

New Companies Act Partially in Force

As from December 1, some Sections and Schedules of the Companies Act are made effective by an Order just issued by the Board of Trade (Order No. 2503 of 1947). The Sections are 10, 27 (sub-sections 6, 7 and 8), 42-49, 58, 69, 76, 77, 78, 79, 111, 116, 118 (sub-sub-section 3 (a)), 120 (Section 3), and 123 (sub-section 3), and the Schedules are the eighth and the ninth. The Sections involved are mainly those dealing with the disclosure of previous nationalities and names of directors of companies; the distinguishing numbers of shares; the new procedure for altering the memorandum of a company; the powers of the Board of Trade for investigating a company (including certain associated companies) or the beneficial ownership of shares; the registration of business names, and the prohibition upon the use of undesirable names. An announcement has also been made that the Sections and Schedules of the Act concerning company accounts will be brought into full operation on July 1, 1948. It has been stated in Parliament that the remaining Sections of the Act will not be brought into force until a Consolidating Act is passed.

The Stock Exchange and New Issues

No better exponent of the procedure of the London Stock Exchange for supervising new issues could have been found than Mr. John Braithwaite, the deputy chairman, whose lecture to the Incorporated Accountants' Cambridge Course in September has now been printed privately. Those who were fortunate enough to hear Mr. Braithwaite's address will welcome its receiving a rather wider circulation, more particularly since the subject bristles with technical difficulties. Mr. Braithwaite succeeded in the difficult task of clarifying the requirements and procedure of the Stock Exchange Council in vetting new issues, and for this all practitioners will be deeply appreciative. There are wider issues than technique, however, and these Mr. Braithwaite did not overlook. Undesirable persons of sharp wits aim at being one jump ahead of the law, and the work of the Stock Exchange Council during the last 15 years or so has been directed at a strengthening of the safeguards imposed by the old Companies Act on new issues. The Council's requirements are flexible and can be made more stringent as occasion demands. If in certain respects the Cohen Report and the new Companies Act have caught up with the steady development of Stock Exchange control of these matters, the fact in itself shows how wise and public-minded has been the Council's policy. That policy has been simple and fundamental. It is not to sit in judgment on the financial merits of any particular new issue for which the sponsors are seeking a Stock Exchange quotation, though clearly an issue which was palpably objectionable would stand no chance. It is rather to ensure that full publicity and disclosure of all material facts is forthcoming—that, in Mr. Braithwaite's words, "nothing is withheld, and everything relevant is disclosed to enable those who are addressed to see, as clearly as may be, the nature of what is proposed, the qualifications of the persons connected with it, the past record (if any) of the business, and its future prospects as far as these can reasonably be estimated." The principle is that full facts and information should be laid before both the Stock Exchange authorities and the investor. It was a happy compliment that Mr. Braithwaite should conclude his address by linking the object and spirit that animates the work of members of the Society —characterised in its motto, *Fides atque integritas* —with that of the Stock Exchange Council.

Tax on Pensions to Foreign Residents

We are reminded by the Association of Superannuation and Pension Funds of the following Inland Revenue regulation, which applies where an employer pays a pension to an employee residing outside the United Kingdom:

> If on or after April 6, 1946, the employer pays a pension, not being a pension arising wholly from an employment carried on abroad, to a person who is resident outside the United Kingdom in respect of whom he has not received a tax deduction card from the Inspector, and the payment is equivalent to emoluments at a rate exceeding £2 5s. 0d. a week, the employer shall, on the occasion of the first such payment, forthwith render a return to the Inspector, giving the name and address of the person entitled to the pension, the date on which the pension commenced, and such other particulars as may be necessary to secure the issue of the appropriate tax deduction card.

The Treasury and Costing

The fourth report of the Select Committee on Estimates provides an interesting comment on the financial administration of the service departments. Their estimates show only the sum expected to be spent during the financial year, and are on a simple cash basis; no account is taken of any assets or liabilities at the beginning or end of the year. Further, it is virtually impossible to deduce the actual cost of any particular item, especially when its cost has been shared by several departments. During the war the estimates were suspended for security reasons, being replaced by over-all votes of credit; with their re-introduction the committee has been considering methods of increasing the informativeness of the estimates, in order that Parliament shall have a clearer understanding of the purposes for which the taxpayers' money is to be voted. During a long discussion on costing, it was revealed that the results of an attempt by the War Office between 1919 and 1925 to introduce a costing system by no means justified the heavy expense. Nevertheless, it appears that some sections do still provide detailed costs, although they are little more than separate pieces of statistical information. By 1948-49, however, it is anticipated that all departments with trading activities will present their accounts on the normal commercial basis. Meanwhile, the official Treasury attitude is that lack of accounting staff prevents any fundamental overhaul in the financial machinery, which is encountering severe difficulties in preparing even the present form of estimates. It would appear

that the Treasury is by no means convinced that the economies obtainable from the introduction of a costing system would justify the outlay involved; it was also pointed out to the committee that the present form of presenting the estimates is statutory and provided an adequate basis for financial criticism. Force of present circumstances rather than any sense of satisfaction have doubtless prevented the committee from repeating the conclusion of the 1918 committee on National Expenditure that a radical change is needed.

War Damage Payments

The first bulk settlement of "total losses" was made by the War Damage Commission on November 10. Approximately £100 million, representing about 106,000 claims on about 140,000 properties, was paid on that date. With each remittance was sent a statement showing how the payment had been calculated and an income tax certificate to be used in claiming a refund where the standard rate was not payable by the claimant (tax at that rate having been deducted from the interest included in the settlement). In all, value payments aggregating, with interest, some £170 million, have to be made to about 155,000 claimants in respect of approximately 216,000 properties. It was hoped that practically all claims for value payments would have been settled last month, but apart from cases under appeal or where the original claimant has died and the present claimant has to prove his title, there are some 30,000 cases where the total payment has to be shared between two or more parties, and where, despite reminding letters from the War Damage Commission, the parties have not yet stated how they wish the money to be divided. As outstanding cases become ripe for payment, remittances will be issued at monthly intervals, probably about the middle of each month. Claimants raising a question on payments made to them are asked to write to the appropriate Regional Office of the Commission, and not to the Headquarters.

The foregoing applies only to "total losses," for which a value payment is due, and not to cases qualifying for a "cost of works" payment. These cases will continue to be dealt with as before, the Commission paying the agreed cost of making good the war damage when the work has been done; claims in these cases should be submitted to the appropriate Regional Office of the Commission as and when repairs have been carried out.

The Purchase Tax Problem

We have on several occasions drawn attention to the difficulty of devising a scheme for affording relief to retailers where the purchase tax has been removed or reduced (see, for example, ACCOUNTANCY, August, 1947, page 172). Traders generally charge customers at the new rates even though they have paid tax at the higher rates, and the Treasury has been unable to find a satisfactory method of avoiding the incurring of the burden by the traders. Though purchase tax changes are now predominantly upwards, the accounting problem presented on a fall or removal of the tax is not yet solved—and we may be sure that it will recur at some later stage. Of several suggestions we have received from readers for dealing with the difficulty, one sent by Mr. David H. Dunn, A.S.A.A., of Exeter, appears to be the most practicable. Mr. Dunn's suggestion is that the following procedure should be adopted:

(1) The Board of Trade, in conjunction with the appropriate retail trade association, should determine approximately the rate of turnover in the affected trade, i.e., the approximate proportion of stock to purchase.

(2) The retailer should be called upon to claim the refund of tax from his wholesaler by providing the latter with the amount of purchase tax paid by the retailer during the relevant period, giving dates and reference number of invoices.

(3) The wholesaler would check these details and make the appropriate refund and deduct the amount paid out from his next payment (to the Board of Trade) of purchase tax.

(4) The refunds would be text-checked by the present purchase tax inspectors, who make periodical checks of the wholesalers' purchase tax records.

As an example, if in a trade concerned with goods in which there had been a revision of purchase tax, the average rate of turnover were bi-monthly (i.e., £2,000 stock to £12,000 sales), the "relevant period" under (2) would be two months prior to the effective date of the revision. The retailer would notify his wholesaler on a simple standardised form (a) purchase tax charged by the wholesaler on articles delivered during the period; (b) invoice dates and reference numbers; (c) total tax reclaimable. The wholesaler could make the necessary refund and deduct it from his next purchase tax cheque to the Board of Trade.

If the rate under (1) is considered to be difficult to agree, then an alternative (and more accurate method) would be for the retailer's auditor to give the rate based on the purchases of the preceding year as compared with the opening and closing stock divided by 2. Thus, if the stock at January 1 was £2,000, and purchases in 1946 were £12,000, while the closing stock at December 31 was £4,000, the rate would be $\frac{12{,}000}{\frac{1}{2}(2{,}000+4{,}000)}$ or 4. Thus the rate of turnover would be 4 times per annum, or three-monthly. A space on the form to be sent to the wholesaler would give this rate, and the auditor would certify it on the form itself.

Mr. Dunn agrees that his is an approximate method, but it is simple and gives the retailer at least some relief where at present he obtains none. All retailers, however large, he argues, know from whom they purchase their different goods, and the wholesalers' records are (or should be) detailed enough for them to check the retailer's forms quickly. He adds that from the point of view of the Board of Trade, the necessary checking is very similar to that now carried out by their inspectors in relation to purchase tax collected.

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MEASUREMENTS OF EFFICIENCY

In a capitalist world the profit motive is commonly accepted as a spur to efficiency, with the concomitant that the amount of the profit, taken in proportion to capital employed, affords a rough and ready criterion of the efficiency achieved. This broad conception needs some qualification. Most industrial enterprises now recognise not one duty, but three: not only a duty to earn profits for the proprietors, but a duty also to the public for the quality of the product or service, and to the staff for fair rates of pay and adequate conditions of service. It is argued, with some justification, that when the law of supply and demand operates without restriction, it ensures that the supplier discharges his duty to the public. Further, it is averred that agreements with trade unions on national or district bases assure at least a minimum standard of treatment for the staff. Under such conditions it is claimed that profits remain as the sole criterion of efficiency, at least as between one undertaking and another.

But the question of profits as a measure of efficiency needs further analysis. In a modern capitalist State near-monopolies and price rings restrict the full operation of the law of supply and demand, though the element of "consumer's choice" may remain to a limited extent, while in a socialised State nationalisation and controls much more seriously impair the operation of this element. Thus, whatever the usefulness of the profit margin as a test of efficiency, there is a widening field over which it cannot be applied because the conditions which alone make it valid no longer exist. As a result, industry, whether conducted by private or public enterprise, cannot afford to rely solely on an annual profit and loss account to disclose, after the event, whether efficiency has been attained. Efficiency must be tested almost day by day to ensure that inefficiency, which usually connotes waste in some form or another, is not creeping in. Neither does a favourable balance on the profit and loss account give an unfailing indication that efficiency has or has not been achieved in all the different factors and processes which have contributed to the two sides of the account. For example, where purchased materials form a substantial proportion of the total cost, favourable purchase prices, whether skilfully negotiated or adventitious, may obscure inefficiency in the manufacturing processes. Alternatively, efficiency in manufacturing or other processes may be of a high standard, but the profit margin may be small or non-existent because of market or economic conditions which are outside the control of the manufacturer or supplier.

How, then, is efficiency in production or in the provision of public services to be measured? Measurement of itself implies comparison with a standard. What is the standard of comparison to be?

The usual accountancy practice is to compare the results disclosed by the annual accounts with the results for the previous year. This method has its advantages, though detailed and reliable deductions cannot be drawn from such a comparison without considerable analysis, in both years, of the variations that are disclosed. Even at its best, a comparison with the previous year only shows whether the results are improving or worsening; it does not afford a measurement of efficiency for it gives no indication of what the cost—if cost is under examination—*should* have been.

What should the cost have been? Is not that the crux of the whole matter? Is it not in relation to what costs should have been that we must measure economic efficiency? It seems to follow that standard costing, properly applied, gives the best measure of efficiency in production or operation that is yet available. Standard costing implies the pre-assessment of what the various operations that go to the production of a given article should cost, and a measurement of the actual costs against the pre-determined standards. The operations necessary to produce a given article or to provide a given service must be defined. The machines or tools to be used must be specified and the method of executing each operation must be technically planned. The type and quantity of material to be used and the time which should be occupied by the workpeople in executing the planned operations must all be assessed. There must be a works organisation to ensure continuity of production and a system of inspection to ensure that quality is maintained. Finally, the costs incurred must be compared with the pre-determined standards, whether in terms of money, man-hours occupied or quantities of materials consumed. To be effective, a system of standard costing must be detailed in order that the results which it discloses may be brought home to the supervisory staff who control sections of workpeople. It must also operate promptly in order that the results may be placed before the responsible officials before the circumstances have changed and the results ceased to be of interest to them.

This principle of standard costing is capable of extension far outside the realms of a factory. It can be applied to any function in the administration or execution of the work carried out, not excepting the cost of administering the standard costing system. The process of establishing standards of itself enforces consideration of the ways and means by which economy can be achieved, whether by the improved utilisation of plant and machinery or by economy in physical effort. This process must be a continuing one. There must be an unending search for alternative and more economical methods of carrying out particular pieces of work, and a constant modification of standards as scope for economy is found.

The usefulness of standard costing is obviously restricted, as the name of the system implies, to the measurement of efficiency as regards expenditure. There are many other ways by which specific aspects of the work carried on by a particular undertaking can be assessed, and increasingly the accountant will be required to develop the technique for this process of assessment. Further, the trend of the operations as a whole and the financial results flowing from them also need constant study. The whole field—the field of applying a check to the economic efficiency of industrial enterprises, whether privately or publicly owned—is one in which the accountant, working in collaboration with his technical colleagues, can make a practical contribution to industrial productivity.

The Local Government Bill

By SIR FREDERICK J. ALBAN, C.B.E., F.S.A.A., J.P.
(President of the Society of Incorporated Accountants)

The Local Government Bill, recently presented to Parliament by the Minister of Health, contains provisions designed to effect a radical reform in the financial relations between the central government and local authorities.

This question has been exercising the minds of local authorities for some time. In June last I gave a paper on the subject to the annual conference of the Institute of Municipal Treasurers and Accountants at Torquay. In that paper I stated that the greatest defect of the existing rating system was its uneven incidence as between one area and another. If local authorities were to be regarded as executive agents for the implementation of the policy of the central government and for the maintenance of a more or less uniform standard of service throughout the country, it was difficult to defend a system under which authority "A" found it necessary to levy a rate of, say, 25s. in the £, whereas authority "B," for the same range and standard of services, could manage on a rate of 15s. in the £.

The two principal causes of high rate poundages were stated in my paper to be (i) low rateable value per head of population, and (ii) a high level of public assistance expenditure. As regards (ii), the Government's proposal (now incorporated in a Bill) to abolish the poor law and to replace it by a system of national assistance would remove an important cause of rate inequality.

As regards (i), I suggested that in the impending revision of the block grant, increased weighting should be given to the factor of rateable value per head of population, particularly in view of the Government's announced intention to transfer the function of valuing property for local rates from the local authorities to a central body. Hitherto, lack of uniformity in rating assessments as between one authority and another has been an obstacle to a wider use of rateable value per head as a factor in the distribution of grants.

Scope of Bill

The Local Government Bill comprises provisions dealing with:

(a) A new system of financial assistance from the Exchequer to local authorities, under which "equalisation grants" will take the place of the "block grants" made under the Local Government Acts, 1929-46.

(b) A new valuation and rating procedure in England and Wales involving the reassessment of all properties (to be completed by 1952 or 1953) on a uniform basis.

(c) Payments by local authorities to members towards travelling and subsistence expenses and for loss of remunerative time.

The block grants under the Local Government Acts, 1929-46, will not be payable for any year beginning on or after April 1, 1948, subject to certain transitional provisions. These block grants (amounting to £46 million) were distributed to county and county borough councils partly by reference to losses from "de-rating" and certain discontinued grants, and partly by reference to a "weighted population" formula (e.g., number of children under 5, rateable value per head, unemployment and—in counties only—population per mile of roads). The block grant was due for its quinquennial revision as from April 1, 1942, but this had, on account of the war, to be postponed. The Local Government (Financial Provisions) Act, 1946, however, provided for the payment of additional interim grants to local authorities pending this revision. These interim grants amounted to £10 million, £11 million, and £12 million, for the three years 1945-46, 1946-47, and 1947-48 respectively.

Equalisation Grants

Instead of the block grants, the councils of counties and county boroughs will, if their financial resources are not up to a certain minimum, receive equalising grants. This minimum is to be determined by reference to the average rateable value per head of weighted population in England and Wales. "Weighted population" for this purpose means the population plus the number of children under 15 years of age, and—in certain sparsely populated counties—an addition for such sparsity.

If the rateable value per head of weighted population in a particular county or county borough is less than the average for England and Wales, the difference is to be credited to that county or county borough, and the amount of rates which that credited rateable value would produce if it were actual rateable value in the area is to be paid as an equalisation grant to that authority. The amount of the grant for any year will be the amount produced by a calculation which, in a simplified form, may be stated as follows:

$$\frac{\text{Local authority's expenditure} \times \text{"credited" rateable value.}}{\text{"Credited" rateable value} + \text{actual rateable value.}}$$

The equalisation grants will be calculated annually, being finally determined after the end of the financial year when the expenditure has been ascertained.

It is estimated that if the changes had operated in the year 1946-47, the total of the equalisation grants would have been about £33 million, in place of the £57 million payable by way of block grant and interim supplementary grants. Local authorities will, however, be relieved of an estimated annual expenditure of £63 million by the transfer of responsibility for hospital services and the termination of the poor law. There is, therefore, an estimated net saving to local rates, based on 1946-47 figures, of about £39 million a year.

On the basis of the same year's figures, it is estimated that 54 of the 61 administrative counties, and 55 of the 83 county boroughs, in England and Wales would have qualified for an equalisation grant. In

Scotland, 29 out of the 31 counties, and 22 of the 24 large burghs would have qualified. As regards England and Wales, it will be seen that relatively more counties than county boroughs qualify for grant. This is due to the fact that the average rateable value per head is higher in county boroughs than in counties. This may also explain in part why only 7 out of the 61 counties do not qualify for grant. These seven would include counties like Middlesex, Surrey, Sussex, etc., where the rateable value per head is high.

Other Grants

The Bill provides for the payment of transitional grants for the first five years commencing April 1, 1948. For the first year the transitional grant will be such as to assure to each county as a whole and to each county borough, a gain equivalent to a rate of 6d. after taking into account (i) the transfer of hospitals and the termination of the poor law, (ii) the new grants, and (iii) the new basis of education grant to be adopted by the Minister of Education.

This transitional grant, estimated to be £900,000 for the first year, will abate by one-fifth annually in each of the four following years.

Grants to councils of county districts will, under the new scheme, continue to be paid (out of the equalisation grants) on a capitation basis, the rural rate per head being one-half the urban. These grants will, however, be payable by the county council, and not by the Minister of Health.

The Bill provides for annual payments to be made by the London County Council to metropolitan borough councils in accordance with a scheme to be made by the Minister after consultation with the London authorities.

Rating and Valuation Reform

The Bill contains important provisions dealing with the reform of the valuation and rating procedure, the valuation of dwelling-houses, and the rating of the new transport and electricity authorities.

At present valuation for rates is a function of local authorities. Draft valuations are made by the rating authorities; assessment committees approve the valuations after hearing objections, and appeals from their decisions may be made to Quarter Sessions.

The Bill provides that valuations for rates are to be made by valuation officers of the Board of Inland Revenue, with rights of appeal firstly to local valuation courts (selected from panels of local people according to schemes made by county and county borough councils), and secondly, to the county courts, which may be specially selected by the Lord Chancellor. Metropolitan procedure is brought into line with that in the provinces.

The new centralised arrangements are to be brought into operation on a date to be fixed by order of the Minister of Health, but it is not anticipated that the first new valuation lists will be ready until 1952 or 1953.

The object of these provisions is to secure uniformity of valuation. Uniformity is of particular importance in view of the basis on which the proposed equalisation grants will be distributed. It should also be remembered that the greater part of the local rates within an administrative county is levied to meet the expenditure of the county council. That expenditure cannot be distributed fairly among the several rating areas within the county unless there is a uniform standard of valuation. The need for uniformity is also manifest in the case of joint authorities whose expenses are apportioned according to rateable value.

Valuation of Dwelling-Houses

The Bill lays down a new procedure for the valuation of dwelling-houses, under which they will be classified in three groups:

(1) Houses (including flats) provided by local authorities and housing associations since 1918.

(2) Private houses (other than flats) within the rateable value limits to which the Rent Restriction Acts apply (small private houses) built since 1918.

(3) Other houses and flats.

A council house (Group 1) will be assessed by reference to an estimate of what it would have cost the local authority to build the house and provide the site for it in 1938. The gross value will be 5½ per cent. of this hypothetical 1938 cost. The Minister will specify for each local authority what it would have cost them in 1938 to build a house to a given specification or specifications; he will also indicate what it would have cost to provide and develop the site.

The gross value of a Group (2) house—post-1918 private houses within the rateable value limits to which the Rent Restriction Acts apply, viz., £100 in London and £75 elsewhere in April, 1939—will be 5½ per cent. of the hypothetical 1938 cost of constructing the house, determined on the same lines as for a Group (1) house, plus 5½ per cent. of the current value of the site.

For both Group (1) and Group (2) houses a reduction in gross value will be made where the state of repair and amenities of the house are not as good as the majority of comparable houses in the area.

The gross value of Group (3) houses and flats will be assessed by reference to the rents for comparable houses which were being paid on August 31, 1939.

Provision is made for such increase as may be just in the gross value of a house where a part of it has been specially constructed or adapted for trade, business, or professional purposes.

The effect is that houses within Groups (1) and (2) will be valued on the contractor's test, with a rate of interest slightly higher than that commonly adopted in the past, applied to 1938 costs. The extent to which the new basis will affect existing assessments of post-1918 houses remains to be seen. Generally, however, increases of assessment may not be uncommon.

The application of three different bases of valuation to dwelling-houses may not appear to be the best method for securing an equitable distribution of burdens between the three groups. A somewhat artificial position is almost bound to arise, particularly from the adoption of 1938 capital costs and

1939 rentals as the basis of valuations which are to be used from 1952 (or 1953) onwards.

Transport and Electricity Authorities

Railways and canals occupied by the British Transport Commission and hereditaments occupied by the new Electricity Boards are to be exempt from rating. Instead, annual lump sum payments, based on the total amount of rates payable in 1947-48, are to be distributed to local authorities in proportion to rateable value.

Allowances to Members of Local Authorities

The Bill contains provisions based on the report of the Inter-departmental Committee presided over by Lord Lindsay. They entitle members of local authorities and similar bodies (e.g., joint boards) or their committees to receive from their authorities payments towards travelling and subsistence expenses necessarily incurred, and towards the loss of remunerative time, or other expenses necessarily incurred by them in the performance of their duties as members.

The financial allowance on account of earnings, or other additional expense, is not to exceed 10s. for a half-day (not more than four hours) or £1 for a day (more than four hours). This allowance is not available to parish councillors.

Regulations may be made prescribing maximum travelling and subsistence allowances, and providing for the publication in the minutes of the authority of details of payments made. These allowances will not be available to a member of a council of a borough, urban district or rural parish in England and Wales for duties performed within the council's area, nor to a member of any authority for duties entailing a journey of less than three miles from home.

Publicity

Local authorities are empowered to provide information centres dealing with the authorities' services, and for the spreading of information on local government questions. The Bill also amends the Health Resorts and Watering Places Act by increasing the amount which a borough or urban district council may spend on advertising the amenities of the district as a health resort or watering place from a rate of 1½d. to one of 3d. in the £.

What are Profits?

By HARGREAVES PARKINSON

(Editor of "The Financial Times")

The "peg" (as journalists say) for the following article is the fact that, when the company accounting sections of the Companies Act of 1947 come into force, auditors will be required to certify profit and loss accounts. As a financial journalist whose job is to make the world safer for investors I welcome this, because profits, in the last analysis, are the one quantity in which investors are interested, and their buttressing by responsible expert signature will give one a pleasant assurance of the reality of the quantities one is dealing with. But if I were an accountant I think I should feel that my own responsibilities had been made distinctly more onerous. For profits, *qua* profits, are the most elusive concept in the whole field of accounting. Possibly that is due precisely to their fundamentality.

We know the length of the Forth Bridge, the population of Great Britain, the time of high tide at London Bridge on January 27, 1992, and the distance from the earth to the sun. None of these is easy to measure, but the methods of measurement are well known and uncontroversial, and the experts are all agreed, within narrow limits, on the figures. What is more, the quantities are the same to all men in every place. The calculations involved are complex and include a greater or lesser degree of estimation; but it is not in anyone's interest that the calculation should be done in more than one way, or that any relevant material should be suppressed.

With profits, unfortunately, the position is very different. There is, to begin with, no precision, because the estimation involved is never purely objective. Some of the estimates depend on the view directors or other authoritative persons take of future events, from the percentage of debts that will prove bad to the possibility of technical developments or scientific discoveries that may make plant obsolete. They vary according to the people to whom the results will be presented. Directors have one set of figures presented to them, shareholders another, and the Inland Revenue a third and very different collection. Errors are what statisticians call "biased" because accountants believe always in erring on the safe side—which means, cumulatively, in showing matters worse than they really are. And the element of policy enters in, for directors like to have "something in hand."

Let us list a few of the people concerned, in one way or another, with profits, who tend to put, each of them, a different construction on the term:

Company shareholders.
Income tax inspectors.
The President of the Board of Trade.
Assessors of Excess Profits Tax.
Computers of Distributed and Undistributed Profits Tax.
Economists discussing profits in the context of the national economy.
Politicians of the Right.
Politicians of the Left.
Company directors.
(and may I add, with due respect)
Accountants.

This is an interesting list. It includes people who view profits professionally, administratively, politically, scientifically and beneficially—the investor himself coming into the last category. If we regard him as the lowest common denominator, the centre of the solar system round which the others revolve, we can classify others in the list as people whose

function is, variously, to calculate profits for him, distribute them to him, take them from him, assess their social relationship for him, defend his title to them, and dispute his right to have them at all. Here, as the detective writers say, we have our motive for differing assessment of profits by different people. It is in the interest of accountants to combine the search for accuracy with prudence in setting out its results. It is in the interest of boards of directors to adjudicate between the claims of their businesses as going concerns and the desire of shareholders to maximise their return. Computers of income and profits taxes have every motive for allowing as little to slip through their fingers as possible. Economists grind many academic axes, and have a way of making their terms fit the particular argument they are proving. And when it comes to politicians—well, perhaps the less said the better. But all this does suggest that there must be some laxity on the part of those who might settle all the trouble by laying down some authoritative standard.

The way the argument is tending should now be reasonably plain. Can we make profits mean the same thing to all people—bearing in mind always that the man to whom all this matters most is the owner of the profits?

There is nothing like imposing a legal obligation on people for crystallising their ideas. Nothing makes a man disposed to realism like the sight of a policeman. And not the least of the services of the Cohen Committee Report was its laying down of a publicity schedule, for "profits," now enacted with the Companies Act of 1947. In its first schedule, under "B. Profit and Loss Account," we have, under 8 (1) the following list of items which it will now be obligatory on a company to set out:

(*a*) the amount charged to revenue by way of provision for depreciation, renewals or diminution in value of fixed assets;

(*b*) the amount of the interest on the company's debentures and other fixed loans;

(*c*) the amount of the charge for United Kingdom income tax and other United Kingdom taxation on profits, including, where practicable, as United Kingdom income tax any taxation imposed elsewhere to the extent of the relief, if any, from United Kingdom income tax and distinguishing where practicable between income tax and other taxation;

(*d*) the amounts respectively provided for redemption of share capital and for redemption of loans;

(*e*) the amount, if material, set aside or proposed to be set aside to, or withdrawn from, reserves;

(*f*) subject to sub-paragraph (2) of this paragraph, the amount, if material, set aside to provisions other than provisions for depreciation, renewals or diminution in value of assets or, as the case may be, the amount, if material, withdrawn from such provisions and not applied for the purposes thereof;

(*g*) the amount of income from investments, distinguishing between trade investments and other investments;

(*h*) the aggregate amount of the dividends paid and proposed.

It may be submitted that here is a precise list of the quantities under which every kind of deduction from "profits" can be grouped. Clearly, when one has reached letter (*g*) one has eliminated everything that *can* be eliminated from any figure which began by calling itself "profits." What is left is a quantity which ought to become "standard," on every lip and pen, when "profits," without prefix or suffix, are referred to. These are the profits which are the true return on capital—namely, the return which really belongs to those who own the capital.

It follows from this that if anyone, for his own purpose, refers to profits at, so to speak, some other letter between (*a*) and (*f*), he should use an appropriate prefix, invariably, to make it clear upon what rung of the ladder he is standing. For example, above (*a*) we have "trading profits," after (*b*) "net profits," *i.e.*, profits after depreciation and debenture interest, after (*c*) "net profits after taxation," and so on. Some people might say that "profits," so expressed, should be computed after (*d*)—that is before allocations are made to free reserves. That is a matter of opinion, but in the writer's view free reserves are, in the great majority of cases, only another name for amounts set aside to develop the business, and "profits" ought to be clear of everything which goes either into the business or outside it, but not to the owners.

The principle, however, is clear enough. Let us have from the appointed day, when the accounts clauses of the new Companies Act come into force, a standard for "profits" which is the same for all times, places and persons. And let accountants, and their representative journals, give a lead in securing standard usage for this most abused term.

Letter to the Editor

Profits Tax

DEAR SIR,—It would appear that by Section 45 of the Finance Act, 1947, the maximum allowance for directors, not being service directors, in a director-controlled company is £2,500, if the total profits do not exceed a certain figure. This allowance is made irrespective of whether there is only one director or whether there are four or more directors. I also note that in the report stage the Solicitor-General said the allowance was increased owing to the increase in the cost of living. Apparently not one of our legislators at that time had the competence to remark on the injustice of a law which makes an allowance up to £2,500 for one working proprietor, but only £625 if there are four working proprietors, and I can hardly wait to hear that the inevitable concession has been granted. This clause is symptomatic of the hurried and uninformed manner in which we are at present regulated, another instance being the 10 per cent. tax on bonus issues so aptly referred to by ACCOUNTANCY on pages 157 and 158 of the July, 1947, issue.

Yours faithfully,
J. H. WHITE,
Incorporated Accountant.

[The position is anomalous, but it has remained unaltered since the start of N.D.C. in 1937, except for the increase from £1,500 to £2,500 mentioned in the letter. It seems that a director-controlled company has been approached from the viewpoint of a "one-man" business.—Editor, ACCOUNTANCY.]

The Exempt Private Company—An Interpretation

By E. WESTBY-NUNN, B.A., LL.B., Barrister-at-Law

Of the many intricate new expressions introduced by the Companies Act, 1947, few are more important, or more likely to give trouble to the accountant, than the expression " exempt private company." Such a company will not be required to file accounts with its annual return.

The basic conditions, which will have to be fulfilled by a private company in order to obtain exemption from the obligation to file accounts, are five in number, and though some have to be considerably qualified, it is convenient to state them clearly at the outset.

Conditions for Exemption

(*a*) No body corporate may hold any of the company's shares or debentures.
(*b*) No person, other than the holder of shares or debentures, may have any interest therein.
(*c*) The number of persons holding debentures must not exceed fifty (joint holders being treated as one person for this purpose).
(*d*) No body corporate may be a director of the company.
(*e*) Neither the company nor any of its directors may be privy to any arrangement whereby the policy of the company is capable of being determined by persons other than the directors, members and debenture holders or trustees for debenture holders.

The first two of these basic principles (which concern shareholding by a body corporate and interests in shares or debentures of persons other than the holders thereof) are subject to the following exceptions:

Exceptions to the First Two Conditions

First, the death of a holder of shares or debentures, causing his holding to vest in a personal representative or trustee, will not affect the exemption of the company so long as administration of the estate has not been completed, although in fact a person, who is not technically a holder of the shares or debentures, acquires an interest therein. Even where the administration of the estate has been completed, the holding of shares or debentures by trustees on the trusts of a will or family settlement will not cause the company to forfeit exemption so long as no body corporate has for the time being an immediate interest under the trusts. And even this requirement is modified, exemption not being forfeited, though a body corporate has an interest under such trusts, provided that it is (i) a body corporate established for charitable purposes only, having no right to exercise or control the exercise of any part of the voting power at any general meeting of the company; or (ii) a body corporate which is a trustee of the said trusts and has its interest only by way of remuneration for acting as trustee.

Second, where a holder of shares or debentures is of unsound mind, the fact that an administrator or curator has been appointed to safeguard his interests will not cause the company to lose exemption.

Third, where shares or debentures are held by trustees under a scheme for the benefit of the company's employees, this will not cause a loss of exemption.

Fourth, there is an intricate exception intended to deal with cross-holdings between private companies. In certain circumstances, this allows a private company to be exempt from the obligation to file accounts, even though some of its shares—but, let it be noted, not its debentures—are held by another private company or other private companies.

The fundamental requirement, if exemption is to be enjoyed in these circumstances, is that the total number of persons holding shares in the company whose exemption is at stake (called " the relevant company "), and in all the other companies which must be taken into account, shall not exceed fifty. If they do, the relevant company is not exempt. If they do not, it is exempt, provided, of course, that all the other basic conditions are fulfilled.

The other companies (that is, those other than the relevant company) which must be taken into account for the purposes of the calculation of the total number of members, are as follows:

(i) any company holding shares to which this exception has to be applied in determining the relevant company's right to be treated as an exempt company; and
(ii) any further company taken into account for the purposes of this proviso in determining the right to be so treated of any company holding shares as aforesaid.

An example or two will shed some light on this necessarily rather obscure statement of the requirements.

Example I.—Private Company A. holds shares in Private Company B. It is desired to ascertain whether or not B. (the relevant company) is exempt. Company B. cannot be exempt unless A. also is exempt. If A. is exempt, it must be ascertained whether or not the total number of persons holding shares in A. and B. exceeds fifty.

In making the calculation, incidentally, joint holders of shares are treated as a single person, and the companies themselves and their employees and former employees (a reminder of the definition of a private company) are to be disregarded.

Example II.—Private Company C. holds shares in Private Company A, which holds shares in Private Company B. (the relevant company). Company B. cannot be exempt unless both C. and A. are exempt. The first step, therefore, is to make sure that C. is exempt. The second step is to make sure that A. is exempt, and, in order to do this, it must be ascertained whether or not the total number of members of C. and A. exceeds fifty. Finally, it must be ascertained whether or not the total number of members of C., A. and B. exceeds fifty. It is possible that, though both C. and A. are exempt, B. may not be exempt. Further, even more complicated rules have to be applied where the relevant company and one or more other private companies hold one another's shares. In this case, the other company (*i.e.*, not the relevant company) is to be treated as an exempt company if it would be exempt were the relevant company exempt and if all other conditions of exemption had been fulfilled. Moreover, where there is a cross-holding of shares, and the other company's right to be treated as exempt depends on the application to any shares in it of the " not-more-than-fifty-members rule," and the application of this rule depends indirectly on the relevant company's right to be treated as exempt, then it is to be assumed that the shares are held by the relevant company.

Example III.—Private Company A. holds shares in Private Company B.; and B. holds shares in A. Company B. is the relevant company. Now B. cannot be exempt unless A. is exempt. But A. cannot be exempt unless B. is exempt. In other words, there appears to be a vicious circle; but in such a case " the other com-

pany" (*i.e.*, A.) is to be treated as exempt for the purposes of ascertaining whether B. is exempt.

Example IV.—Company A. holds shares of B. Company C. holds shares of A. Company B. holds shares of C. Company B. is the relevant company. Company B. cannot be exempt unless A. is exempt; A. cannot be exempt unless C. is exempt; C. cannot be exempt unless B. is exempt. Another and even more vicious circle. In this type of case the right of C. to be treated as exempt depends *indirectly* on the right of B. to be treated as exempt. Consequently, for the purpose of ascertaining whether or not B. is exempt, the shares which C. holds in A. are deemed to be held by B. In other words, the vicious circle is broken, and only A. and B. are taken into consideration in calculating the number of shareholders. There is, by the way, a rider to the fourth exception, which we have been considering in giving these examples. The rider is that where shares are held by another private company, and, notwithstanding this, the relevant company is exempt, the second basic condition (that no person other than the holder may have an interest in shares or debentures) will not apply in respect of an interest held by the other private company if it is an interest enjoyed by a person by virtue of debentures of the company which holds the shares.

Fifth, where shares or debentures are held by or by a nominee for a banking or finance company, which acquired them in the ordinary course of its business and by arrangement with the relevant company or its promoters, the company, whose shares or debentures are held, may be exempt, provided that the banking or finance company has not the right to exercise or control the exercise of one-fifth or more of the total voting power at any general meeting of the relevant company.

Sixth, where the holder of shares or debentures is a trustee in bankruptcy, or liquidator or a trustee for the benefit of creditors under a scheme made or approved under any Act by a Court, this will not prevent a private company from being exempt. But it is important to note that a deed of composition for the benefit of creditors, which is not approved by a Court, may cause the loss of exemption.

Having dealt thus with the six modifications to the first two basic principles, it is now necessary to note the following rules which are to be applied to these two principles and the modifications thereto.

Rules for the First Two Conditions (as Modified)

Rule 1.—Where a share or debenture or any interest therein is subject to a charge in favour of a banking or finance company by way of security for the purpose of a transaction entered into in the ordinary course of its business as such, any interest under the charge, whether of the banking or finance company or a nominee for such a company, such charge is to be disregarded, that is, it is not to be treated as an interest enjoyed by a person who is not a holder of shares or debentures. In the same circumstances, if a banking or finance company or its nominee is the holder of shares or debentures, a person entitled to an equity of redemption therein is not to be treated as a person with an interest.

Rule 2.—Subject to Rule 1, on the execution of a transfer of shares or debentures, the transferee (not the transferor) is to be treated as the holder even though the transfer has not yet been registered, except where registration has actually been refused; and any interest under a contract for the transfer of shares or debentures is to be disregarded, until an instrument of transfer has been executed, provided that such execution has not been unreasonably delayed.

Rule 3.—Any interest of the company itself in any shares or debentures and any lien or charge arising by operation of law and affecting any of its shares or debentures is to be disregarded.

The Last Three Conditions

Further comment is unnecessary on the last three basic conditions, (*c*), (*d*) and (*e*) given at the beginning of this article, for, fortunately, they are self-explanatory.

Budget Estimates

Estimated Effect of Changes in Taxation

	Estimate for 1947-48	Estimate for a Full Year
	£	£
INLAND REVENUE—		
Income Tax and Profits Tax		
Restriction of deduction in computing profits of expenditure on certain advertisements to one-half of the expenditure incurred ...	Nil	+ 10,000,000
Income Tax, Sur-Tax, E.P.T., and Profits Tax		
Charge of Interest on arrears of tax ...	*	*
Profits Tax		
Increase in the rate of Profits Tax to 25 per cent. on that part of the profit which is distributed and to 10 per cent. on that part of the profit which is not distributed ...	+ 4,000,000	+ 85,000,000
Loss of Income Tax consequent on increase in Profits Tax	— 2,000,000	— 38,000,000
TOTAL INLAND REVENUE ...	+ 2,000,000	+ 57,000,000
CUSTOMS AND EXCISE—		
Customs		
Beer	+ 500,000	+ 1,500,000
Spirits	+ 3,000,000	+ 7,250,000
Wines	+ 2,000,000	+ 5,250,000
Total Customs ...	+ 5,500,000	+ 14,000,000
Excise		
Beer	+ 9,500,000	+ 33,500,000
Spirits	+ 2,500,000	+ 7,250,000
British Wines, etc....	+ 500,000	+ 1,250,000
Purchase Tax ...	+ 10,000,000	+ 80,000,000
Pool Betting (including Pool Betting Coupons)	+ 3,000,000	+ 15,000,000
Total Excise ...	+ 25,500,000	+ 137,000,000
TOTAL CUSTOMS AND EXCISE	+ 31,000,000	+ 151,000,000
TOTAL INLAND REVENUE AND CUSTOMS AND EXCISE	+ 33,000,000	+ 208,000,000

* It is difficult to make any close estimate either of the yield of this new Interest charge or of its effectiveness in stimulating quicker payment. Accelerated collection in 1947-48 may yield £15 millions or more. Including this increase, the total net yield in 1947-48 of the proposed changes is estimated at £48 millions.

TAXATION

The Autumn Finance Bill

The Bill just issued has one great merit: it is short.

Income Tax

As was generally expected, there is no change in the standard rate of income tax. It can be imagined that at the present time, a Socialist Chancellor of the Exchequer might find it difficult to explain the reduction in the highest rate of sur-tax that would necessarily follow any increase in the standard rate of income tax.

It had been hoped that some changes would be made in allowances so as to take out of tax a few more of those with smallish incomes. This would have served two very vital purposes, namely, increased incentive to the individual and, more important perhaps, freeing the Revenue machine of a great deal of detail, and enabling it to turn to more important matters. However, the Chancellor has thought otherwise, no doubt because to give such reliefs would have released purchasing power.

Profits Tax

Clause 7 doubles all rates of profits tax retrospectively to January 1, 1947. This is an impost that will cause difficulty to many companies whose accounts have already been closed and dividends paid, where profits have been distributed up to the hilt. Cases appear already to have arisen where the increased profits tax will place the profit and loss appropriation account in debit.

The tax operates harshly on equity shareholders, particularly of those companies with highly geared capital. The tax is now 25 per cent., with a non-distribution relief of 15 per cent., the effect being to charge 10 per cent. on profits ploughed back into the business. The over-riding rate of 3 per cent. applicable to building societies is increased to 6 per cent.

The effect on equity shareholders in a simple highly geared case, where the dividends are moderate, can be illustrated thus:

Profits before Profits Tax £60,000		
(No Franked Investment Income)		
500,000 6 per cent. Preference Shares of £1		
100,000 Ordinary Shares of £1		
Distribution:		
Preference Dividend	£30,000	
Ordinary Dividend 10 per cent. ...	10,000	
		£40,000
Profits Tax:		
25 per cent on £60,000	£15,000	
Less Non-distribution Relief 15 per cent on £20,000	3,000	
		£12,000
Being 10 per cent. on £20,000 ...	£2,000	
25 per cent. on £40,000 ...	10,000	
		£12,000

It will be seen that this tax falls entirely on the ordinary shareholders and amounts effectively to a tax, on these facts, of 40 per cent., thus:

Profits		£60,000
Less Preference Dividend		30,000
		£30,000
Tax thereon	£12,000	
	or 40 per cent.	

The higher the gearing, the greater the percentage of the profits of equity capital taken.

In an extreme case, where preference capital provides the finance, equity capital being issued to the entrepreneur to provide him with incentive, the effect can be serious, thus:

Preference Capital, 6 per cent. ...		£100,000
Ordinary capital		1,000
Profits required to pay dividends:		
Preference	£6,000	
Ordinary, 50 per cent.	500	
		£6,500

(It is assumed that there is no franked investment income and no disallowed directors' remuneration.)

If profits of £12,000 are made, the tax becomes:

£12,000 at 25 per cent.		£3,000
Non-distribution relief, £5,500 at 15 per cent.		825
		£2,175

This is 35 per cent. on the equity profits of £6,000. Were the profits £8,000, the position would be—

Profits		£8,000
Abatement		800
		7,200
25 per cent. thereon	£1,800 0 0	
Less Non-distribution relief $£7{,}200-(£6{,}500\times\frac{7{,}200}{8{,}000})=£1{,}350$		
15 per cent. thereon ...	202 10 0	
		£1,597 10 0

In the latter case, the position works out thus:

Profits		£8,000
Preference Dividend		6,000
		£2,000
Profits Tax	£1,597 10 0	
	or nearly 80 per cent.	

It may be objected that the ordinary dividend is high, but the position on these facts would be the same if the ordinary share capital were £50,000 receiving 10 per cent. or £100,000 receiving 5 per cent.

With current difficulties of saving to produce fresh capital, this impost on dividends shows a misconceived idea of our industrial capital structure. Dividend limitation may be defended if applied to capital employed, but where it is not so applied it causes many injustices. An appreciation is essential of the fact that a share in equity carries the same aliquot share in profits no matter what nominal values are given to the shares. If an individual is selling his business to a company in which he owns all the shares, it does not matter to him whether he sells for £500,000 in £1 shares, or for £500,000 to be satisfied by 500 £1 shares at a premium of £999 per share. He may prefer the latter as it saves costs and stamp duties. Yet a dividend of £25,000 will be 5 per cent. in the first case and 5,000 per cent. in the

second, though still, in the second case, 5 per cent. on the capital employed.

Whatever one's views on limitation of dividends, let there be straight thought in applying them.

Interest on Tax Arrears

Clause 8 deals with the interest on unpaid income tax, profits tax and E.P.T., including sur-tax which arises either on direct assessments or on directions under Section 21, Finance Act, 1922. The rate of interest, 3 per cent., is penal when it is realised that it is not allowable as a deduction. Interest will run from the date the tax becomes due and payable until payment, but will not run before January 1, 1948. If the tax is paid not later than three months from its due date, the interest is to be remitted. No interest is to be payable if the total tax charged by an assessment does not exceed £1,000, or if the interest does not exceed £1.

Where tax is discharged, the interest is to be adjusted to the appropriate amount on the tax still due on the amended assessment. Repayments of tax will carry no interest beyond that paid on the tax repaid, each tax is regarded as a separate unit for this purpose, *e.g.*, tax repaid in respect of an assessment to sur-tax will not affect interest on profits tax.

The due date is not defined and is therefore that under the existing law, *e.g.*, in the case of profits tax or E.P.T. one month from the date of assessment; income tax on the various dates appropriate, *i.e.*, January 1 for Sch. A, January 1 and July 1 for Sch. D on earned income, etc. The special due dates applicable to E.P.T. capital computations and tax reserve certificates are irrelevant.

Advertising Expenses

Advertising expenses are dealt with in Clause 9. the expenses of which only half will be allowable as deductions from profits are: expenses incurred in advertising in the United Kingdom either—

(*a*) in a newspaper or periodical not being one certified by the Board of Trade to be a technical or trade journal or to circulate wholly or mainly outside the United Kingdom; or

(*b*) by means of the cinematograph or on any cinema screen; or

(*c*) by means of any hoarding, poster, placard, plaque or sign, displayed otherwise than on or in any premises where the business is carried on.

The Treasury may by order provide that expenses of such classes, or incurred in such circumstances, as may be prescribed by the order shall not be deemed to be included in the disallowable expenses.

The clause applies to income tax for 1947-48 onwards, and to profits tax for any chargeable accounting period ending after November 12, 1947, with the important proviso that no expenses referable to a time before November 13, 1947, are affected. This was a very necessary transitional relief to avoid inequality between businesses with different accounting dates. Only businesses assessed on actual profits in 1947-48 will therefore feel the restriction in that year. It is provided that the advertising expenses of a period which "bridges" November 13, 1947, are to be apportioned on a time basis (months and fractions of months), unless the person carrying on the trade otherwise elects.

Advertising expenses are defined as expenses incurred in advertising the trade, business, profession or vocation, or the products thereof.

Purchase Tax

The rates of purchase tax are increased (except for cars and motor cycles) as follows in respect of goods delivered by registered manufacturers and wholesalers, or imported by unregistered persons, from November 13, 1947.

Existing Rates (per cent. of wholesale value)		Proposed Rates (per cent. of wholesale value)
16⅔	...	33⅓
33⅓	...	50
66⅔	...	75
100	...	125

Pool Betting

From January 4, 1948, there is to be a duty of 10 per cent. on stake money on all pool betting (including coupon and other similar and totalisator betting), except totalisator betting on an approved horse racecourse under the authority of the Racecourse Betting Control Board.

Taxation Notes

Farmers' Herds

The Inland Revenue have issued a pamphlet, similar to those on the Income Tax Act, 1945, on the new legislation contained in the Finance Act, 1947, regarding the treatment of livestock kept by farmers and other traders. We give a cordial welcome to this latest addition to the explanatory literature. It is both informative and well designed.

The pamphlet emphasises the importance of giving notice of election for the "herd basis" by April 5, 1948, where the farmer or other trader is assessable for the current year 1947-48. We dealt with this subject in the November issue of ACCOUNTANCY, but we repeat some details below, in view of the importance of these provisions.

Accountants must turn their minds to the question of advising clients whether or not to make the election, bearing in mind that the choice must be made once and for all. There will not be a later opportunity for making the election. Once made, it cannot be revoked.

Even if the herd basis has been adopted under the previous arrangement agreed with the Farmers' Unions in 1942, written election must be given under the new provisions if it is desired to continue on that basis.

The main features of the herd basis are as follows:

(1) The herd is treated as an asset, and will not feature in the trading account.

(2) Any profit on the sale of the whole herd (or a substantial part of it) without replacement, will not be assessable, nor will a loss rank for relief.

(3) A profit or loss on sale of individual animals, or on the sale of a small part of a herd, without replacement, will be taken into the trading account.

(4) On replacement of animals in the herd, the sale proceeds of the old animal are included as a trading receipt, the cost of the replacement being deducted as an expense.

(5) All farm livestock can be included, *e.g.*, cows, sheep, pigs, poultry, etc., including horses, kept for breeding purposes. Working horses, working dogs, and animals kept for public exhibition or racing or similar purposes are not included. A

farmer can elect for one class of animals, and not others.

(6) The legislation applies for the purposes of—
- (*a*) Schedule D, Case I.
- (*b*) Schedule D, Case III ; Rule 4.
- (*c*) Relief under Schedule B, Rule 6.
- (*d*) Relief for losses.
- (*e*) Profits Tax.

(7) The trades other than farming that are envisaged are animal breeding, cattle dealing, and milk selling.

In the case of the acquisition of a herd for the first time, notice of election must be given within twelve months after the end of the first year of assessment for which the liability to tax is computed on the basis of the profits of a period during which the taxpayer keeps such a herd.

In the case of a Schedule B assessment, election need not be made until it becomes necessary to compute his actual profits, *i.e.*, for a Rule 6 or Section 34 claim.

The " anti-avoidance " provisions must not be overlooked, *i.e.*, sales between persons in mutual control or to avoid tax will have the same effect as if the sales were at market price.

For profits tax, the herd basis will be operative for the first chargeable accounting period which does not fall wholly before the basis period of the first year of assessment for which the herd basis applies for income tax purposes. This will affect only companies, etc., of course.

We could wish that the author of these pamphlets had drafted the Acts ; the latter would then be understandable.

Retirement Benefits Schemes

A leaflet has also been issued by the Inland Revenue dealing with the provisions of the Finance Act, 1947, under this heading. This, again, is much more palatable than the Act, though not so readable as the pamphlet referred to above.

Subject to the exemptions enumerated below, liability to income tax will arise for 1947-48 and subsequent years, under Schedule E, on directors or employees (this includes any person taking part in the management of the company who is not a director, as well as employees in the ordinary sense) of companies, in respect of the actual or assumed cost of the provision of future " retirement or other benefits " for them or their spouses, children, dependants, or personal representatives. (The Act does not apply to employees of individuals or partnerships of individuals.)

The term " company " is used above to include an nnincorporated body or society.

If the company makes provision for the benefits by payments to a third person (*e.g.*, an insurance company or trustees), the director or employee will be charged on the amount paid in respect of him ; where necessary, the payments will be apportioned over the persons concerned. Where no payment is made to a third person, tax is charged on the amount that would have to be paid to a third person to provide such a benefit.

The Act applies to any agreement or arrangement under which future retirement benefits are to be provided, whether or not the accrual of the benefits is dependent on a contingency. Where the Act applies, tax is chargeable, even if the benefit is a pension that will itself attract tax when paid.

If, however, the payments to provide the benefits are already liable to tax as income of the individual concerned, or if no such payments are made, the benefits themselves being liable to tax as part of the individual's pay, the sections do not apply.

The exemptions are :
- (*a*) Statutory superannuation schemes ;
- (*b*) Approved superannuation schemes ;
- (*c*) Excepted provident, staff assurance, or similar schemes ;
- (*d*) Certain insurance schemes in operation before April 6, 1947, and not (substantially) confined to directors and/or employees with remuneration exceeding £2,000 a year ;
- (*e*) Schemes in operation before April 6, 1944, which, when taken in conjunction with all other retirement benefit schemes relating to the persons affected, provide a life pension or annuity as the main benefit for each such person ;
- (*f*) Schemes approved under the Act ;
- (*g*) Employees serving wholly abroad who are not liable under Schedule E.

Provision is made for repayment of tax where it is later proved that no benefit has been or will be received.

A return must be made (*a*) on Form No. 46 (R.B.S.) of all schemes existing on April 6, 1947, or coming into existence before July 31, 1947, and (*b*) by letter of all schemes coming into existence after July 31, 1947, and of any alterations made in any schemes after that date.

The chief difficulties appear to be in the interpretation of the definition of " retirement or other benefit," on which the leaflet gives no guidance.

The return form requires details regarding (A) schemes pursuant to which the employer makes payments with a view to the provision of benefits, and (B) agreements for the provision of future benefits and schemes where the provision of benefits is not being secured, or fully secured, by payments.

Effect of Annual Charges on Allowances

It is well to remind taxpayers from time to time that they are only entitled to allowances on the income they enjoy ; income paid away in the form of annual charges or bank interest, etc., must be kept on charge at the standard rate.

Illustration, 1946-47 :

A taxpayer has the following income : House assessed Schedule A, £40 ; business assessed Schedule D, Case I, £400 ; dividends (gross amount), £50. He pays mortgage interest of £25, bank interest (not in respect of the business), £85, in the year in question. He is married with one child under 16.

The tax position is as follows :

		£
Schedule A		40
Schedule D, Case I		400
Dividends		50
		490
Less Mortgage Interest	25	
Bank Interest	85	
	—	110
		380
Allowances :		
Earned Income, ¼ of £380 (not of £400)	48	
Personal	180	
Child	50	
	—	278
		102

£50 at 3s.		£7 10	0
£52 at 6s.		15 12	0
Tax to be borne ...		£23 2	0
Tax suffered already:			
Dividends ...	£50		
Less Mortgage Interest ...	25		
(at 9s.)	25		
		11 5	0
Tax still payable ...		£11 17	0

His assessments, assuming allowances are applied to Schedule A, will be as follows:

Schedule A	£40			
Less Part personal allowance	15			
Kept in charge to cover annual charge	£25	at 9s.	£11	5 0
Schedule D	£400			
Deduct Bank Interest ...	85			
	315			
Less Allowances:				
Earned Income (restricted by excess of interest paid over unearned income)...	£48			
Personal (balance) ...	165			
Child	50			
	263			
	52			
£50 at 3s.	£7 10	0		
£2 at 6s.	0 12	0		
	8 2	0		
Less Investment income taxed at 9s., due to be taxed at 6s.; £50 at 3s.	7 10	0	0 12	0
Tax payable ...			£11 17	0

Companies Act, 1947

A letter published in the *Financial Times* draws attention to the prohibition of "free of tax" directors' fees (except under a contract in force on July 18, 1945). He points out that "tax-free" payments will be legal in the case of (1) private contracts and (2) directors of companies not registered under the Companies Acts (*e.g.* chartered companies), subject, of course, to the provisions of Sections 26 and 27, Finance Act, 1941 (which limit the amount of tax the employer is to pay on a pre-war contract not varied since). The letter describes such a position as "anomalous, illogical, inconsistent, discriminatory, and also unjustifiable, at least so far as directors of companies are concerned," and says the law should be amended to meet the situation.

We are not clear whether the suggestion is that the proposed amendment should do away with all such payments, or reinstate the *status quo*. In our view, the necessity for Section 34 was amply demonstrated by the exorbitant amounts of which some directors were the recipients. We would agree that all bodies corporate or unincorporated ought to be brought into line, but we are doubtful about individuals and partnerships of individuals. If an individual likes to adapt this tortuous method of paying remuneration, he deserves the difficulties he has to meet in applying the P.A.Y.E. tax tables. It is, however, preferable that every taxpayer should feel the direct impact of the tax and not be in the happy position that the higher the rate of tax, the better off he is, as is the case under many "free of tax" arrangements.

We may add another apparent, though not real, anomaly. The Companies Act, 1947, will prohibit loans to directors (Section 35, Companies Act, 1947). The Finance Act, 1947, provides that for profits tax, loans to directors of a director-controlled company will be treated as "distributions" of profits (Section 36, F.A. 1947). There is no real anomaly here; Section 35 of the Companies Act, 1947, does not prohibit loans to directors of an exempt private company, so there will still be companies to which the provision in Section 36 of the Finance Act, 1947, can apply. Moreover, the Finance Act, 1947, is now in force; the Companies Act, 1947, is not. When the Companies Act comes into force, it will make it illegal for some companies to make such loans, but Section 36 of the Finance Act, 1947, will still apply to "exempt private companies" which are controlled by directors.

In Professional Notes this month we discuss the subjects of pensions to foreign residents and purchase tax adjustments.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.Litt., Barrister-at-Law

Income-tax—Settlement income—Sum settled on trust for settlor and descendants—Where income of settlement less than stated sum balance to be paid out of capital—Stated sum payable to settlor—Whether deficiency return of capital or income of settlor—If income whether to be "grossed"—I.T.A., 1918, *General Rule* 21—*Trustee Act*, 1925, *Section* 33—*F.A.*, 1927, *Section* 26.

John Morant Settlement Trustees v. *C.I.R.* (K.B.D., July 22, 1947, T.R. 309) was different from most settlement cases. Appellants were trustees of a settlement made May 31, 1939, whereby Mr. John Morant settled a sum of £100,000 upon trusts for the benefit of himself and descendants; and they appealed against assessments made upon them under General Rule 21. £50,000 was invested in 10 per cent. non-cumulative shares of a company called Brockenhurst Estates Co., Ltd., and £50,000 was lent to that company at 4 per cent. interest. By a clause in the deed, if the income of the trust in any year was less than £6,500 net after deduction of income-tax, but not sur-tax, then, unless directed by the settlor to the contrary, the trustees were to raise out of the capital of the fund the amount of the deficiency and pay it to the settlor who was under the deed entitled to the income of the fund. For each of the four years following the creation of the trust, the contingency happened; but, regarding the deficiency as repayment of the settlor's capital, the trustees had not deducted tax under Rule 21.

The trustees based their case upon *dicta* in *Trustees of H. K. Brodie* v. *C.I.R.* (1933, 12 A.T.C. 140, 17 T.C. 432), but Macnaghten, J., held that Lord Finlay in that case meant that if the person in receipt of the capital

was entitled to it, then tax would not be chargeable on the amount he drew out, but that here, when Mr. Morant executed the deed, he ceased to be entitled to the capital and received as income what the trustees raised out of capital. On the question of the amount, the Revenue had contended that in a year when Mr. Morant was paid £4,870, of which £975 was paid out of taxed profits and £3,895 out of capital, the latter should be "grossed up" to £5,993 and that the trustees should be regarded as having raised that sum. This claim he held to be baseless. It is curious that, in view of the *Neumann* case (1932-34, 18 T.C. 332), the Revenue should have made such a claim.

Income-tax—Error or mistake—Number of Special Commissioners competent to hear appeal—Whether meeting properly summoned—I.T.A., 1918, *Sections* 62 (5), 64 (2), 66, 67, 137, 230 (2)—*F.A.*, 1923, *Section* 24.

R. v. *Special Commissioners (ex parte Carrimore Six-Wheelers, Ltd.)* (C.A., July 22, 1947, T.R. 305) was noted in our issue of May last. In the Court of Appeal the decision of the Divisional Court was unanimously affirmed. The only point raised in the latter Court was as to the quorum necessary to hear a taxpayer's appeal, but a further point was now sought to be raised, namely, that no meeting of the Special Commissioners could be a valid meeting unless every Special Commissioner had been summoned to it. Lord Greene, Master of the Rolls, gave the only judgment. He observed that both of the points had been covered by the decision of that Court, *Hood-Barrs* v. *C.I.R.* (1946, 2 All E.R. 748, 25 A.T.C. 375), in which they were very carefully considered and dealt with, and that it was "no doubt nothing more than a strange but irrelevant coincidence" that the gentleman who raised the points in the earlier case, Mr. Hood-Barrs, "happens to be the managing director of the company." To raise the second point in the present case before the House of Lords, it would be necessary for leave to be given either by that Court or the House to amend the statement in support of the application. The Court refused leave to amend and to appeal to the Lords, referring the taxpayer to the Appeals Committee to see whether they would take a different view.

Income-tax—Mills, factories or other similar premises—Electricity works—What part of works within the allowance given by Sub-section (3) *of Section* 15, *F.A.*, 1937.

In *Lancashire Electric Power Co.* v. *Wilkinson* (K.B.D., June 16, 1947, T.R. 263) the question of what parts of the company's works were within the allowance given by Sub-section (3) of Section 15, F.A., 1937, came before the Court upon appeals by the company and by the Crown against findings of the Special Commissioners. Before Macnaghten, J., the company succeeded substantially both on the appeal and the cross-appeal. The case is too technical for reproduction at length, but one point of principle may be noted in the judgment:

> "The sections of the power house which the Special Commissioners have excluded as not being qualified for the depreciation allowance, contain no such machinery and therefore are, in the opinion of the Special Commissioners, disqualified. But the section does not say that the building must contain such machinery and nothing else."

It only had to be used wholly or mainly for the purpose of operating such machinery.

Trade—Valuation of stock-in-hand—Error in income tax computation—Omission to adjust closing and opening stocks so that figures the same—Discovery—I.T.A., 1918, *Section* 125.

Steel Barrel Co., Ltd. v. *Osborne* (K.B.D., June 19, 1947, T.R. 261) was by way of sequel to *Osborne* v. *Steel Barrel Co., Ltd.* (1942, 24 T.C. 293), where the Special Commissioners had fixed the value of stock acquired from the receiver of the previous company at £10,000, and this figure had been upheld by the Court of Appeal. As a means of carrying out this decision, it had been agreed that the closing figure for the stock at December, 1933, should be reduced by £4,848 and that the stock figures as from January 1, 1934, to December 31, 1937, should be similarly reduced. Unfortunately, in computing the profits of 1938, the basis of assessment for 1939-40, the Inspector whilst adjusting the stock figures at December 31, 1937, omitted to make a similar adjustment of the opening stock at January 1, 1938. Discovering his mistake, an additional assessment was made which the Special Commissioners confirmed. Macnaghten, J., held that the matter was too clear for argument; but there was a somewhat acrimonious exchange between Judge and counsel as to whether the former had answered the question put in the stated case, and the matter will, no doubt, go further.

Income Tax—Poultry rearer—Battery system—Whether land occupied for the purpose of husbandry—Income Tax Act, 1918, *Schedule B; Schedule D, Case I—F.A.*, 1942, *Section* 28 (2).

Reid v. *C.I.R.* (Court of Session, August 5, 1947, T.R. 383) was a case where the appellant occupied 12 acres of land at an annual rent of £50. He reared poultry, partly in the ordinary way, and partly upon the intensive battery system. Except in so far as the poultry derived sustenance from the land on which they ran, the whole of their food was purchased from outside. The total capacity was about 2,700 birds, of which one-third were selected, kept in cages, not allowed access to the land, and subjected to intensive feeding. The others had the run of a substantial grass field. For the Revenue it was contended that there was liability under Schedule B and also in respect of the battery system under Schedule D, and the General Commissioners had decided that appellant's profits fell to be apportioned between the two schedules. In the Court of Session this decision was reversed by a majority. The criterion was held to be that laid down by Scrutton, L.J., in *Back* v. *Daniels* (1925, 9 T.C. 183), to the effect that no further tax could be levied unless the appellant was conducting on his land some "separate and distinct operation unconnected with the occupation of the land," and, to use the words of Lord Carmont: "It must be in the present case an operation distinct from the appellant's ordinary poultry-breeding and egg-production business, which *is* connected with the land."

He held, upon the facts of the case, that there was not sufficient material on which the General Commissioners could make their apportionment. Lord Russell agreed as to this; but Lord Keith considered that the profits derived from the intensive or battery system were not referable to the occupation of land, and he rejected the suggestion that because the caged birds had been reared on appellants' land for the first seven months of their lives this placed them permanently in the category of poultry which had derived their sustenance from the land. He held that the test laid down by Scrutton, L.J., was satisfied, but considered that the question which arose was one of degree and of fact for the General Commissioners.

The case draws attention to the differential treatment of dealers in cattle and dealers in or sellers of milk under Rule 4 of Schedule B, as compared with other cases of intensive livestock rearing. The present position is one of great inequality because a very considerable and profitable business may be carried on upon land of not more than £100 annual value.

Schedule D—Trade—Deduction—Damages and costs of respondent to libel action—Whether allowable in computing profits—I.T.A., 1918, Cases I and II of Sch. D.

In *Fairrie* v. *Hall* (K.B.D., June 10, 1947, T.R. 249), appellant, carrying on business in London as a sugar broker, acted as selling agent for a Cuban company. Czarnikow, Ltd., a leading company in the sugar world of very high standing, had as its chairman a Mr. Rook, who had been appointed Deputy Director of Sugar Supplies at the Ministry of Food. Appellant had alleged that Mr. Rook had disgracefully abused his position. As the result of a libel action, appellant had to pay £550 damages and £3,025 costs. These amounts he claimed to be expenses of his trade as sugar broker; but both the Special Commissioners and Macnaghten, J., rejected this argument, the latter basing his judgment principally on *Strong* v. *Woodifield* (1906, 5 T.C. 215). He held that it was not possible to say that damages for a malicious libel published by a sugar broker could be a loss within Rule 3 (*e*) of Cases I and II of Schedule D as "connected with or arising out of the trade, etc."

The *Strong* decision appears to the writer to be an inequitable one; but few will be disposed to criticise the conclusion here.

Shorter Notices

Sur-tax—Undistributed income of companies registered abroad—Shares in Canadian company assigned in trust with another Canadian company as trustee—Whether a "settlement"—Subsidiary companies all registered abroad—Income arising under settlement—Whether it includes income of subsidiary Canadian companies—F.A., 1922, Section 21—F.A., 1927, Section 32—F.A., 1936, Section 19—F.A., 1938, Sections 38 (3), 41 (4) (a)—F.A., 1939, Section 13 (3).

C.I.R. v. *Scott-Ellis* (C.A., July 31, 1947, T.R. 345) was noted in our issue of October last. The decision of Atkinson, J., then reported, revealed an apparent gap in the elaborate network of Sections intended to trap such settlements. The Court of Appeal has reversed his decision. The case is one of specialised character with no general interest, and, even if space permitted, in the absence of the Commissioners' "Case" adequate comment is impracticable. Leave to appeal to the House of Lords was given.

Income Tax—Sur-tax—Transfer of assets abroad—Lease of properties, including plant, etc., to U.K. company with grant of the rent payable to non-resident trustees.

Vestey v. *C.I.R.* (C.A., July 30, 1947, T.R. 355) was the subject of a very full note in our issue of April last, where it was pointed out that, inasmuch as the amount at stake was estimated at over £3,000,000, the case would obviously go to the House of Lords. In the Court of Appeal, the appellants fared even worse than they had in the lower Court, although there was some difference of judicial opinion upon one very important point. Leave was given to appeal to the Lords. The judgments in the Court of Appeal extend to 48 columns in the Taxation Reports.

Publications

Precision and Design in Accountancy. By F. Sewell Bray. (Gee & Co. (Publishers), Ltd., London. Price 15s. net.)

This book is striking evidence of the pioneer work which Mr. Sewell Bray has done in the last five or six years in the borderland between economics and accountancy. It consists of a number of newly-written chapters dealing with specific problems which he has encountered in that largely uncharted land and reprints of articles which originally appeared in the professional journals, including, we are glad to say, ACCOUNTANCY. Mr. Bray eloquently puts forth the plea of the frontiersman for reinforcements from the more adventurous of those who remain on the familiar ground of established accounting procedures.

Everything in this work is informed by a high purpose—Mr. Bray regards accountancy as being ideally a search after one aspect of what may be called economic truth and he wishes to see technique and research in accounting developed progressively towards that ideal. So he is led to discuss such questions as the valuation of fixed assets, uniform accounts, depreciation as a term of account, and accounting standards, that is, "useful guides to technical procedures valid over a wide area of application."

When the chapters of this book were written, or collated, Mr. Bray had already gone a considerable way towards meeting the common objection of the economist to certain of the accountants' conventions—we may particularly note his willingness to allow for depreciation on the basis of replacement cost—"the central idea being to preserve real capital"—even though by way of provisions after the striking of the profit figure. In this and in other respects, "accountants would still prepare their balance sheets according to the same conventions which they now use, but they would carry on to such documents supplementary interpretative data in terms of the valuations required by economists." One wonders whether this compromise will or can be final. The strict logic of Mr. Bray's own arguments seem to suggest more radical modifications of the accounting statements themselves. Mr. Bray would no doubt be the last person to suggest that the ultimate word has been spoken on how far profit and loss accounts should incorporate the revised ideas on, for example, stock valuations and depreciation, which have emerged from the prolonged debate of recent years in which he has taken a prominent part.

Mr. Bray is much concerned with the notion of "normality" and its satellite concepts, the "proper" and the "stable." Thus working capital, he avers, should be maintained in *proper* ratio to the scale of output and in equilibrium a firm should obtain its *proper* share of the market. Capital should be maintained *intact*; profits can be spoken of as *normal*; the *stability* of the business enterprise is a prime requirement. Some economists will question whether normality and its associated ideas are capable of assisting in the provision of a real contribution to economic policy—how define, how measure, the normal or the proper?—or whether they delude more than they illumine. But this is a large question which it is probably unwise to pose at this stage when essential improvements in the accounting approach, though largely advocated by Mr. Bray on the basis of his assumption that the norm is a concept with real meaning—an assumption dear to the Cambridge economists with whom, as a Fellow of the Department of Applied Economics in Cambridge University, he is now developing certain parts of the thesis of this book—are nevertheless to be justified without that assumption. When these advances in accounting technique and principles become widely

effective, that result will have been achieved because of the work of those few frontiersmen of whom the author of this book is a conspicuous member.—L. T. L.

The Internal Finance of Industrial Undertakings. By T. G. Rose. (Sir Isaac Pitman & Sons, Ltd., London. Price 21s. net.)

Mr. Rose, the author of "Higher Control in Management" and "Business Charts," in his new book "The Internal Finance of Industrial Undertakings" writes as an engineer using financial records for management purposes. His approach is well indicated by this passage:

"More than fifty years ago F. W. Taylor, the great American industrial consultant, drew attention to the important difference between 'exception control' and 'total control.' In his organisation work in connection with production in factories he had found that to try to keep control of all the aspects of the work defeated its own purpose—the movement was so rapid that to endeavour to watch everything that was going on ended in a network of paper and red tape which checked and discouraged the free movement he was trying to organise. He used to aim, therefore, at concentrating his control organisation on the exceptionally important aspects, assuming—quite correctly—that the minor details would function smoothly if the major factors were kept on the right lines."

The financial movements surveyed by Mr. Rose include rates of profit on capital employed and on sales, sales ratios of various types, the analysis of debtors corresponding to periods of credit and certain balance-sheet ratios familiar to accountants. From these he builds up a series of control sheets. Some of the forms may seem unduly elaborate and some of the definitions (e.g., of "capital employed") are unorthodox, but Mr. Rose has succeeded in defining his terms very clearly. The book, which is well written, should be of great value to business executives in showing how much information can be obtained from financial accounts. To accountants its value should lie in its stimulating qualities in two directions:

(*a*) The opportunities which the profession is missing in not making accounts understandable; and

(*b*) The necessity of developing a technique which will enable accounts to be used for the measurement of efficiency.

Skill and Management. By G. E. Milward. (Macdonald & Evans, London. Price 8s. 6d. net.)

The writer must have experienced the difficulty of the reviewer in relating the title of his book to what it contains, and must have shared the doubt whether the title will stimulate interest sufficiently to cause the book to be purchased and read. How often this is true, and how often excellent books such as this are for such reasons left unread! The subject of management is only now receiving the measure of attention it deserves. This book proceeds from the philosophy of the subject—from the fundamentals, science, art, and logic inherent in the subject-matter—to a survey of the vexed subject of specialisation and its practical application.

While attention is rightly drawn to the part directors should take in management, undue emphasis appears to be given to the functions of the policy-makers compared with that other and more important aspect—the implementation of policy by the whole range of personnel, from the workman and foreman up to the highest executive. Whilst a full appreciation of the responsibilities of the policy-makers is necessary, the author seems somewhat at fault in touching but lightly upon that much wider sphere where management through its proper appreciation of the human factor can do so much to achieve the maximum success of an enterprise consistent with the common weal.

In particular, the chapter giving a review of the subject of investigation and report will be read with interest by accountants and by those who "think on these things."

The author refers in the practice of analysis to the use of Kipling's six serving men—What, Why, When, How, Where and Who, and reminds one of the necessity of clear and objective thinking. There are many other observations of a fundamental nature which, while obvious, fully deserve repetition and emphasis, particularly in these days of experiment when it seems to be clear to some that that which is old is wrong, and that which is new must at least be better.

A book well worth reading and one that will both whet the appetite of the reader and—it is hoped—reward the industry of the author.—R. E. Y.

Hire-Purchase Law. By Maurice Share, Barrister-at-Law. (Stevens & Sons, Ltd., London. Price 4s. net.)

The publishers are to be congratulated on the production of this really handy pocket-size book on hire-purchase law. It is one of a series issued under the title "This is the Law."

In 100 pages the author has succeeded in covering an amazingly large field on the subject in a simple style which will commend itself to student and layman alike. The index is extensive and will be much appreciated.

References to Acts placed on the statute book during the nineteenth and the present centuries, and to the part played by the Statute of Frauds, 1677, make the reader realise that many historical aspects of hire-purchase trading had to be considered when the Hire-Purchase Act, 1938, was passed.

The inclusion of the emergency measures of recent years, among them the Liabilities (War-Time Adjustment) Acts, soon convinces the reader that both the owner and the hirer must act with care if protection of the law is to be available to them in the event of need.

The practitioner could with advantage include this publication on his library shelves. He would then possess the comforting knowledge that he can quickly gain some idea of the working of the Hire-Purchase Act, 1938, and the more recent legislation which may affect agreements entered into under that Act. The author knows his subject well and has made a valuable contribution to the present-day need of concise information on a form of trading which, while very prevalent pre-war, was little used during the war, but is likely to play again an important part in everyday business.—A. V. H.

Company Law Amendment, 1929-47. By A. T. Purse, Ll.B., A.C.I.S. (Published for the Chartered Institute of Secretaries by W. Heffer & Sons, Ltd., Cambridge. Price 2s. 6d. net.)

Most readers will by now be well acquainted with the broad outline of the Companies Act, 1947, but detailed knowledge on specific points and the new provisions can only be acquired with time. This publication, prepared under the auspices of the Chartered Institute of Secretaries, meets the needs of the transitional period. The simple layout, a two-columnar comparison of the old and new Acts, following the order of the Sections as in the 1929 Act, is most effective. While the guide is not intended as a substitute for the Act itself, many of the summaries of the new requirements relating to meetings, accounts and auditors are remarkably detailed for so slim a booklet.—A. R. I.

FINANCE

The Month in the City

Markets and the New Chancellor

A new and wholly unexpected factor has entered into the markets' calculations with the resignation of Mr. Dalton and his replacement by Sir Stafford Cripps. Mr. Dalton was widely known in the City as "the stockbroker's best friend." No Chancellor ever gave more direct hints of his cheap money designs, or showed greater willingness to follow them up by all the devices of publicity—and, on occasion, by support from the Exchequer itself. Before he opened his Budget, Mr. Dalton had rekindled speculative interest in the gilt-edged market, and the two volatile undated issues, 2½ per cent. Consols and 2½ per cent. Treasury stock, rose at one time to over 90. They have since been as low as 83½. Nothing appeared in the Budget which suggested any inclination on Mr. Dalton's part to change his rôle from that of cheap money Chancellor to an exponent of sound finance in the traditional sense. Indeed, the Budget was universally regarded as being quite insufficient for the task of restraining even the additional inflationary pressure which had been generated by the import cuts and by the export drive, quite apart from the plain evidence of the acute pressure which existed even before the summer economic crisis occurred. Sir Stafford's line on taking over his new task suggests that the emphasis for the time being will be on continuity of financial policy rather than upon any distinct break with Mr. Dalton's precedents. Sir Stafford has emphasised the importance of cheap money, but he was not committed personally to the 2½ per cent. target which Mr. Dalton had so frequently proclaimed as being the appropriate long-term rate for Government borrowing. Instead, Sir Stafford was content to refer to the "sound policy of borrowing as cheaply as we can, as we hope to continue to do in the future." By the time these notes are read, Sir Stafford will have disclosed how he is dealing with 3 per cent. Conversion stock which has been called for redemption next March. During the coming month, he has to make arrangements for the floating of the British Transport stock on terms which, under the Transport Act, have to be decided by the Treasury, and will have to be directly connected with the prevailing level of gilt-edged stocks in the market. These uncertainties, coupled with the presumption that Sir Stafford will eventually not be less austere in the financial sphere than he has been in the physical, have been followed by a sharp relapse in the undated gilt-edged stocks from their previous speculative levels, so that they are now close to a 3 per cent. yield basis.

Equities and the Profits Tax

The ordinary share markets had discounted fairly accurately the Chancellor's decision to double the rates of profits tax on distributed and undistributed profits. This foresight, coupled with the fact that the Budget showed no determined signs of dealing with the inflationary situation, has been responsible for a steady advance in equity share prices during the past month. In the middle of October, the ordinary share market was showing signs of distinct nervousness, and the *Financial Times* index on October 16 fell to a secondary "low" of 110.4. By November 26 the index had recovered to 119.6—a steady rise which reflects the market's feeling that the inflationary pressure continues undiminished, and must eventually find its reflection in ordinary share earnings. Attempts are now being made to assess the incidence of the doubled rates of profits tax on particular shares. Unfortunately, this raises matters of difficulty, largely because of the inadequate presentation of tax charges in the majority of company reports, and also because the calculations can only be made on the limiting assumption that the whole of the available profits are fully distributed—which is in practice not the case. The general principles which govern the incidence of profits tax are simple enough. Those ordinary shares which rank behind a large amount of preference capital feel the incidence of the increased rates more acutely than ordinary shares in "low-geared" companies (see page 281 of this issue of ACCOUNTANCY). This penalising of risk-bearing capital is, of course, one of the objections to the profits tax. It is generally presumed that ordinary shares whose dividends are covered with a generous margin of earnings are likely to be less affected than those with a narrow earnings margin. The difficulty lies in translating these simple principles into accurate estimates of the relative advantages of one share compared with those of another. Profits tax at the higher rate means that a good deal of the skill which is needed in successful investment policy cannot be applied because of the incalculable incidence of this particular form of taxation.

The "Shell" Issue

After some weeks of rumour, the terms of the Shell issue have been announced. It consists of an offer of 9,648,544 £1 ordinary shares at £3 per share to existing shareholders, who have until January 15 next year to accept. This issue will provide upwards of £28 million toward a commitment on new capital extensions of about £42 million by "Shell" Transport and Trading. The Royal Dutch group will be providing approximately £63 million towards its own capital extensions, the entire programme thus amounting to £105 million (divided between the twin groups in the ratio of 40 to 60) for capital works which are planned for completion by the end of 1949. The works include a large-scale expenditure on oil production facilities (one-third of the whole), new tanker fleets, new oil refineries, and chemical plants (41 per cent. of the total programme), and marketing installations. In particular, the "Shell" group will be building two new refineries, one on the Thames and one on the Manchester Ship Canal, and a large new plant for the manufacture of chemical products from petroleum. The notice to shareholders shows that the "Shell" directors view the outcome of these developments with considerable confidence. The new facilities, and the rapidly expanding market for oil, should ensure that the group's earning power "will not only be well maintained but considerably enhanced." The directors confidently expect that the company will be able at least to maintain the dividend at the 1946 rate (7½ per cent. tax-free), and the new shares will rank for the final dividend payable in respect of 1947 (5 per cent. tax-free last year). The provision of nearly £30 million of new money is a large undertaking, and opinions differ somewhat about the degree of success which the offer may be expected to achieve. But the merits of the offer and its importance as a guide to the future capacity of the London market to handle issues of this size justify the hope that it will be well supported.

LAW

Legal Notes

EXECUTORSHIP LAW AND TRUSTS

Wills—Conditions—Right of pre-emption—Time of performance.

In *Re Avard* (1947, 2 All E.R. 548) the testatrix by her will directed her trustees to convey certain freehold property to F. C., on receiving notice in writing from him, " to be given by him within three calendar months after the death of the testatrix's sister, S. A.," and upon payment by him of the purchase price of £500. F. C. died during the lifetime of S. A., so that he could never personally exercise the option. That point did not present an insuperable difficulty, and Roxburgh, J. held, following previous authority, that the option was capable of being exercised by F. C.'s personal representative. S. A. died on January 1, 1946. F. C.'s personal representative was not informed of her death until April 10, 1946. Roxburgh J. said that the point he had to decide was very difficult. The fact that the personal representative was a few days out of time was of no detriment to anybody and made no practical difference at all. None the less, he was bound by authority to find that strict compliance with the condition in point of time was a *sine qua non*, and that as it was not exercised within the three months specified in the will, the option had not been validly exercised.

Will—Appointment of husband as executor—Contingency not provided for.

In *Re Smith Deceased* (1947, W.N. 290), by her will dated September 11, 1939, the testatrix appointed her husband and another executor and after bequeathing legacies, provided that in the event of the husband pre-deceasing her or dying within one month of the date of her death, certain clauses should operate; they contained a disposition of the residuary estate in favour of certain relatives of the husband and three charities. Curiously, the will omitted to dispose of the residue in the event (which happened) of the husband surviving the testatrix by more than one month. The testatrix died in July, 1945, and in October, 1945, the husband and the other executor duly proved the will. Vaisey, J., said it was very striking that a testatrix made her husband one of the executors, but made no disposition of her estate in the event which had happened. There must have been an alternative intended in the other event. It was so strong a probability as to amount to a certainty. The judge held that he was entitled as a matter of necessary implication to supply the defect in the will, and to decide that what had been omitted was a gift of residue to the husband absolutely in the event of his surviving his wife by one month or more. He made a declaration accordingly.

Charity—Trust to strengthen bonds of unity between South Africa and England.

In *Re Strakosch, Deceased* (1947, W.N. 281), the testator, by his will made in 1941, directed his trustees out of his estate to create a considerable fund, and to hold it upon trust to apply the income for any purpose which, in their opinion, was designed to strengthen the bonds of union between South Africa and the Mother Country, and which incidentally would conduce to the appeasement of racial feeling between Dutch and English-speaking South Africans. The testator died in 1943. The question for the Court was whether the provision created a valid charitable trust or was void for uncertainty. Roxburgh, J., held that the trust was not charitable, but failed for uncertainty. In his opinion, the fund was to be held for any purpose which fulfilled the prescribed requirement. All purposes beneficial to the community were not necessarily charitable in the legal sense, and the trust would fail unless every form of application following within its ambit was not only beneficial, but also charitable. The true explanation appeared to be that where no purpose was defined, a charitable purpose was implicit in the context. But if purposes were defined in language which would sanction an application not in law charitable, no such implication could be made. Here various methods of application could be readily suggested which might strengthen the bonds of union, but might require alterations of the law; such objects being political would not be charitable. For those reasons, the trust failed for uncertainty.

MISCELLANEOUS

Contract—Frustration—Artiste called up for service.

The effect, in certain circumstances, on a contract of the calling up of one of the contracting parties, was considered by Streatfield, J., in *Morgan* v. *Manser* (1947, W.N. 285). The plaintiff sued the defendant, whose professional name was Charlie Chester, for damages for breach of a contract dated February 8, 1938, by which the defendant appointed the plaintiff as his manager for a term of ten years. The plaintiff was to be the exclusive agent for arranging the defendant's theatrical engagements. It was alleged that in October, 1945, the defendant entered into an engagement in breach of the contract. The defence was that in June, 1940, the defendant was called up for service in the Army, with the result that the contract was frustrated and rendered impossible of performance, and the personal relationship was destroyed. He was not demobilised until February, 1946. The judge said that, if there was an event or change of circumstances so fundamental as to strike at the root of the contract as a whole and beyond the contemplation of the parties, so that to hold them to the original contract would be to bind them to something they would never have contemplated, then the contract was immediately frustrated as from the happening of that event. In those circumstances the Court would grant relief and pronounce that the contract had been frustrated either by implying a term to that effect or otherwise. The parties' own belief, knowledge and intention was evidence only upon which the Court could form its own view. In the present case there was a requisition of a man such that the terms of the original contract could not be carried out. There was such a change of circumstances that the original contract looked at as a whole was so fundamentally altered by the calling up of the defendant that it must be held to have been frustrated by reason of that event, and that the defendant was entitled to succeed in the action.

A member of the Society would like to hear from others resident in London or the Home Counties who are interested in rifle shooting.

Names should be sent in the first instance to the Secretary at Incorporated Accountants' Hall.

Society of Incorporated Accountants

Dinner at Liverpool

The Incorporated Accountants' District Society of Liverpool held a dinner on October 31 at the Adelphi Hotel, Liverpool. Mr. J. C. Summerskill, F.S.A.A., President of the District Society, was in the chair, and the guests included the Lord Mayor of Liverpool (Alderman W. G. Gregson, J.P.); the Right Hon. Lord Tweedsmuir; Sir Frederick Alban, C.B.E., F.S.A.A., J.P. (President, Society of Incorporated Accountants); Mr. I. A. F. Craig, O.B.E. (Deputy Secretary); the Mayor of Birkenhead (Councillor Guy Williams, O.B.E.); Mr. J. C. Bryson (President, Incorporated Law Society of Liverpool); Mr. Stanley Dumbell, M.A. (Registrar, University of Liverpool); Mr. P. T. D. Guyer (President, Liverpool Institute of Bankers); Mr. W. A. J. Parkinson, F.C.A. (President, Liverpool Society of Chartered Accountants); Mr. James S. Watson, F.C.I.S. (Chairman, Liverpool and District Branch, Chartered Institute of Secretaries); Mr. W. S. S. Hannay (Chairman, Liverpool Chamber of Commerce); and Mr. F. Bouverie Sanders, F.F.A. (President, Liverpool Insurance Institute).

Mr. J. C. Summerskill, F.S.A.A. (President of the District Society), proposing the toast of the Lord Mayor and the City of Liverpool, said Alderman Gregson had nearly completed a year of selfless and valuable service. If they were to see a nobler city rising out of the ashes of the old, it would only be brought about by the work of citizens, such as Alderman Gregson, who were devoted to its service. At present he considered the corporate life of the cities was tending to ever-increasing centralisation, with the risk of all power being in the hands of people from outside.

The Lord Mayor, replying, said centralisation was made out to be the cure for all evil, yet if carried to the limit it would mean disappearance of individual thought and action. If they were to remain a true democracy there was still plenty to be done in Liverpool, but he believed that Liverpool even in these days of chaos and crisis could show the country that there was a way of living in which the individual could express himself within the limits of the law.

Lord Tweedsmuir, proposing the toast of the Society of Incorporated Accountants, commented that its members touched life at many points. They knew every permutation and combination of those people mentioned in the Parable of the Talents; they were taught hairline accuracy for figures; and they were often called in to deal with bottlenecks. Incidentally, there was great talk these days about bottlenecks. They could either be corked or uncorked, and when he found people talking about "ironing-out" bottlenecks, he felt the language of Shakespeare was being sadly mishandled.

Turning to international affairs, Lord Tweedsmuir said the Empire was nowadays called by some people, who did not quite understand, an economic bloc, or an aggressive bloc. The Commonwealth, however, covered more than one quarter of the globe, and had every right to make its own agreements and trade arrangements, and they needed no apology. The troubles throughout the world between the wars grew up because citizens were not prepared to take their share of responsibility. Fascism and Communism arose because citizens were prepared to surrender themselves to much they actively disliked and much they knew to be wrong in return for never having to make up their own minds. In the old days politics were left to politicians, but now it was the duty of everyone to inform himself of the facts by which he could come to a reasoned judgment about affairs.

The world situation gave no excuse for facile optimism. Britain, however, was still proud and still powerful, and although there was eleven million tons of our shipping now at the bottom of the sea, we were making more ships at the moment than the rest of the world put together.

Sir Frederick Alban, C.B.E., F.S.A.A. (President of the Society of Incorporated Accountants) replying, praised the Liverpool Society as one of the most active District Societies. The Public Accountants Bill was at present under consideration by the Board of Trade, and it was hoped that it could be dealt with before the recent Companies Act came into force. It had been suggested in certain quarters that it would make accountancy a closed shop, and he wanted to emphasise, in regard to the Incorporated Accountants, that their ranks had always been open to men of proved experience, character, and education, who were able to pass the examinations. They had contributed many accountants to industry, and in practically every leading local authority in the country the chief financial officer was a member of the Society.

It was unfortunate that nationalisation might interfere with the legitimate activities of many members who had been either accountants or auditors to individual concerns. In the coal industry it would appear that the whole of the auditing work would be entrusted to one firm of accountants, and that work which was formerly spread over many hundreds of practising accountants throughout the country would become the function of highly specialised civil servants. He doubted very much whether in the long run that would be to the benefit of the public. In connection with health services also it would appear that there would be established a Government audit service which would replace many scores of professional accountants. It was quite true that Mr. Bevan in his instructions to the various regional hospital boards had stated he expected the boards to display a lively sense of independence. That lively sense of independence would be evident, he was sure, but it would be one to which was attached a very rigid and meticulous Treasury control, presenting considerable difficulties.

In the great export drive it was essential that costs should be reduced to the minimum, that there should be equality and fairness of cost, and in that respect accountants could play an important part.

We were now in the midst of a very serious crisis, and some people seemed to think that it could be solved in the course of a year or two. He ventured to suggest, however, that we were in for a long term of endeavour in order to establish economic stability in this country. In planning ahead there must be unity, and he could but say on behalf of his Society that Incorporated Accountants throughout the country and the Commonwealth would do all in their power to assist management and industry in the great task before it.

DISTRICT SOCIETIES

BENGAL

The thirteenth annual general meeting was held at Calcutta on June 14.

The following officers and Committee were elected: President, Mr. P. K. Ghosh; Vice-Presidents, Mr. N. Sarkar and Mr. P. K. Mitra; Honorary Secretary, Mr. N. F. Master; Honorary Treasurer, Mr. D. Basu (students' representative); Committee, Mr. D. P. Chatterjee (students' representative),

Mr. K. N. Gutgutia, Mr. C. P. Mukherjee, Mr. B. N. Basu, Mr. H. M. Mazumdar.

The report for the year ended March 31, 1946, records that on that date there were 30 members and 66 students on the roll. The Committee hope that more Incorporated Accountants will join the District Society.

On account of the abnormal conditions normal activities had to be suspended. Close co-operation continues to be maintained with the Bombay District Society in all matters of interest to the profession in India.

BIRMINGHAM

Syllabus of Lectures, 1947-48

1947

Dec. 5 "Punched Cards and Factory Costing Records," Powers-Samas Accounting Machines, Ltd.

Dec. 12 "Estate Duty," by Mr. S. Stobbs.

Dec. 19 "Holding Companies' Accounts," by Mr. A. E. Langton, LL.B., A.S.A.A., A.C.A.

1948

Jan. 2 "Equitable Apportionments in connection with Trust Accounts," by Mr. J. Linahan, A.S.A.A.

Jan. 9 "Legacy Duty," by Mr. S. Stobbs.

Jan. 16 "Profits Tax," by Mr. H. A. R. J. Wilson, F.S.A.A., F.C.A.

Jan. 23 "Responsibilities of an Auditor," by Mr. R. Glynne Williams, F.C.A., F.T.I.I.

Jan. 30 "Production Control Statistics," by Mr. B. Swann, B.Sc., B.Com.

Feb. 6 "The Maintenance of Trust Accounts," by Mr. S. Stobbs.

Feb. 13 "Preliminary Steps to the Installation of a Costing System," by Mr. W. Weldon Wright, A.S.A.A.

Feb. 20 "Local Government Finance in relation to Professional Auditors," by Mr. A. H. Marshall, Ph.D., F.S.A.A. (City Treasurer of Coventry).

Feb. 27 "Costing for Government Contracts," by Mr. Percy H. Walker, F.S.A.A.

Mar. 5 "Estate and Residuary Accounts," by Mr. S. Stobbs.

Mar. 12 "Contract, Agency and Sale of Goods," by Mr. Charles L. Lawton, M.Sc. (Econ.), Barrister-at-Law.

Mar. 19 "Accountancy" (subject to be arranged), by Mr. D. Cousins, B.Com., A.C.A.

April 3 Dinner Dance at the Midland Hotel, Birmingham.

Lectures will be held at 6.15 p.m. at the Law Library, Temple Street, Birmingham 2.

BRADFORD

Syllabus of Lectures, 1947-48

1947

Dec. 12 "Equitable Apportionments," by Mr. J. Linahan, A.S.A.A. Chairman: Mr. A. B. Kitchen, F.S.A.A.

Dec. 17 "The Breakdown in Britain's Monetary Theory," by Mr. E. H. Dean, M.A., B.Sc. (Econ.). Chairman: Mr. F. G. Stringer, A.S.A.A.

1948

Jan. 14 "Taxation," by Mr. James S. Heaton, A.S.A.A. Chairman: Mr. C. Simpson, A.S.A.A.

Jan. 27 "The Companies Act, 1947," by Mr. A. E. Langton, LL.B., A.C.A., A.S.A.A. Chairman: Mr. W. S. Wilson, A.S.A.A., F.C.I.S. Arranged in conjunction with the Bradford Chartered Accountants.

Feb. 11 "The Principles of Costing," by Mr. W. W. Bigg, F.C.A., F.S.A.A. Chairman: Mr. T. M. Rhodes, A.S.A.A.

Feb. 20 "Statistical Methods," by Mr. J. E. G. Utting, of the National Institute of Economic Research. Chairman: Mr. L. Hustwick, A.S.A.A.

Mar. 3 Mock Income Tax Appeals. Chairman: Mr. James S. Heaton, A.S.A.A.

Mar. 16 "Liquidation—Mock Meeting," by Mr. A. V. Hussey, F.S.A.A. Chairman: Mr. A. P. Burton, F.S.A.A., F.C.I.S.

Meetings will be held at the Liberal Club, Bank Street, Bradford, at 6.15 p.m.

Students are invited to attend lectures arranged by the Chartered Students' Society, and a copy of their Syllabus can be obtained from the Secretary's office, Bank Chambers, North Parade, Bradford.

GLASGOW STUDENTS' SOCIETY

On October 28 a lecture was given by Mr. John Stewart, F.S.A.A., Grangemouth, on "The Nature of Economics: Production and Consumption of Wealth and the Value and Distribution of the Social Product," and on November 18 a lecture was given by Mr. Andrew Lothian, solicitor, Glasgow, on "The Law of Trusts and Executry." Mr. Robert Fraser, F.S.A.A., presided at both lectures, at which there were large attendances.

HULL

The Hull and District Society have adopted the principle of forming Regional Sub-Committees in the main centres outside Hull. The first Sub-Committee has been formed in North Lincolnshire, where the Grimsby members and students are maintaining liaison with those in the Scunthorpe area. The Scarborough area is also being covered as far as possible. Members and students in the areas embraced by the Regional Committees are showing keen interest in the lecture arrangements, and there is reason to believe that the other accountancy bodies are anxious to co-operate, particularly in the areas where membership is relatively small.

It has been decided to pool the knowledge of members by holding a series of discussions on the provisions of the Companies Act, 1947, under a leader, as follows:

November 24, 1947: Mr. John Wood, A.S.A.A., A.C.A.
December 15, 1947: Mr. A. H. Crumpton, F.S.A.A.
January 19, 1948: Mr. C. H. Tranmer, B.Com., F.S.A.A.
February 23, 1948: Mr. Stanley King, F.S.A.A.
March 15, 1948: Miss P. E. M. Ridgway, B.A., F.S.A.A., J.P.

These meetings, at each of which a selected portion of the Act will be dealt with, will be held at the Royal Station Hotel, Hull, at 6.30 p.m. They are additional to the normal lecture syllabus.

SHEFFIELD

The annual general meeting of the Incorporated Accountants' District Society of Sheffield was held on October 31. Mr. A. F. J. Girling occupied the chair.

The report and accounts were approved, and reference was made to the Diamond Jubilee celebrations held during the year. Satisfaction was also expressed at the excellent series of lectures which had been arranged, and the efforts made to assist the students in their studies. It was reported that negotiations were proceeding whereby the library facilities would be greatly improved.

The following officers were appointed for the ensuing year: President, Mr. C. S. Garraway, F.S.A.A.; Vice-President, Mr. J. W. Richardson, F.S.A.A.; Hon. Auditor, Mr. A. Graves, F.S.A.A.; Hon. Librarian, Mr. H. G. Toothill, A.S.A.A.; Hon. Secretary and Treasurer, Mr. J. W. Richardson, F.S.A.A.

The retiring members of the Committee were re-elected.

Mr. E. Ransom Harrison expressed the thanks of the Sheffield Society to Mr. A. F. J. Girling for his excellent services during the eight years that he had occupied the Presidential chair. Throughout the war and in periods of difficulty, Mr. Girling had never failed to attend meetings in Sheffield and elsewhere.

Mr. Girling invested Mr. C. S. Garraway with the Presidential badge and thanked the officers and Committee for the support they had given to him.

WEST OF ENGLAND

Syllabus of Lectures, 1947-48

1947

Dec. 11 "Company Accounts," by Mr. A. E. Langton, LL.B., A.S.A.A. Chairman: Mr. B. Hall, A.S.A.A.

1948

Jan. 9 "Share Valuation for Estate Duty and other Purposes," by Mr. A. E. Langton, LL.B., A.S.A.A. Chairman: Mr. H. F. Leach, F.S.A.A.

Feb. 12 "The Profits Tax," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Chairman: Mr. F. C. Hucker, F.S.A.A.

Mar. 2 "The General Principles of Punched Card Accounting," Powers-Samas Accounting Machines, Ltd. Chairman: A Student Member.

Mar. 23 "The Companies Act," by Mr. W. W. Veale, LL.D. Chairman: Mr. C. B. Steed, F.S.A.A.

The lectures will be given at the Royal Hotel, Bristol, at 6 p.m.

YORKSHIRE

Syllabus of Lectures, 1947-48

1947

Dec. 9 "The Accountancy Provisions of the Companies Act," by Mr. F. A. Roberts, A.S.A.A. Chairman: Mr. A. Schofield, F.S.A.A.

1948

Jan. 29 Economic subject, by Prof. J. H. Richardson, M.A., Ph.D., Leeds University. Chairman: Mr. G. A. Windsor, F.S.A.A.

Feb. 17 "The Use and Abuse (Misuse) of English in Professional Life," by Mr. F. R. Worts, M.A. Chairman: Mr. W. H. McMinn, F.S.A.A.

Mar. 9 "Cost Accountancy," by Mr. C. E. Grayson, A.S.A.A., F.C.W.A. Chairman: Mr. E. Emmerson, F.S.A.A., F.C.W.A.

Lectures are held at the Hotel Metropole, King Street, Leeds, at 6.15 p.m.

PERSONAL NOTES

Mr. A. E. Middleton, L.C.C., F.S.A.A., has been appointed a member of the Royal Commission on the Press.

Mr. W. H. Stables, F.S.A.A., has been elected Mayor of the Borough of Kendal for the year 1947-48.

Mr. W. E. Whitwell, F.S.A.A., has been elected as an Independent member of the Kendal Borough Council.

Mr. H. A. Merchant, F.S.A.A., is the Mayor of the borough of Ealing.

Mr. John Nelson, A.S.A.A., Kilmarnock, has been appointed Deputy Burgh Chamberlain of the Burgh of Dumbarton.

Mr. Arthur A. Jones, A.S.A.A., has been elected a Councillor for the North Ward of the borough of Newark-on-Trent.

Messrs. W. G. A. Russell & Co., Incorporated Accountants, 12, Waterloo Street, Birmingham, 2, have admitted into partnership Mr. Douglas Windebank Stirling, A.C.A., A.S.A.A. The name of the firm will remain unchanged.

Mr. E. Dwek, Incorporated Accountant, has commenced public practice at 42, Rue Nébi Daniel, Alexandria, Egypt.

Mr. J. N. Parrott, A.S.A.A., is now in practice at 20, Lime Street, Bedford, under the style of Parrott and Co., Incorporated Accountants. The former partnership under the name of Gayton and Co. has been dissolved.

Mr. D. F. Middlemiss, F.C.A., F.S.A.A., and Mr. H. Basil Sheasby, M.B.E., F.C.A., F.S.A.A., hitherto partners in Messrs. Woodington, Bubb & Co., Chartered Accountants, 5, Philpot Lane, London, E.C.3, are now practising at Ronson House, 352-3, Strand, London, W.C.2, under the style of Middlemiss, Sheasby & Co., Chartered Accountants. The practice of Messrs. Woodington, Bubb & Co., Incorporated Accountants, of 64, West Smithfield, London, E.C.1, is still being carried on under that name by Mr. F. G. Jenkins, F.S.A.A., F.C.A., Mr. M. Benjamin, F.S.A.A., A.C.I.S., and Mr. Richard A. Wood, F.S.A.A., F.C.A.

It was recorded in our last issue that the partnership between Mr. Archibald Brown and Mr. Graham G. Bissell, Incorporated Accountants, has been dissolved. Mr. Archibald Brown is continuing the practice at 30, Waterloo Street, Birmingham, 2, and at Solihull, under the same firm name of Archibald Brown and Bissell, Incorporated Accountants.

Messrs. Butterell & Ridgway, Incorporated Accountants, 21, Parliament Street, Hull, announce that Mr. Gilbert Bullard has retired from the partnership and from practice. The practice will be carried on by Miss Phyllis Ridgway under the same style as before.

REMOVALS

Messrs. Thomas Eaves and Co. have removed to 37, The Albany, Old Hall Street, Liverpool, 3.

Mr. Arnold T. Stevenson, Incorporated Accountant, has removed to 2, Birmingham Road, Dudley.

OBITUARY

NATHANIEL DUXBURY

We regret to record that Mr. Nathaniel Duxbury, F.S.A.A., a Past President of the Incorporated Accountants' District Society of Manchester, died on August 23. Mr. Duxbury was 88 years of age, and had been in public practice for over sixty years in Blackburn, where he was the founder and senior partner of the firm of Nathaniel Duxbury, Son & Co. He became a member of the Society of Incorporated Accountants in 1900.

THOMAS HAYWARD

We have learned with regret that Mr. Thomas Hayward, F.S.A.A., died on November 12. Mr. Hayward was admitted to membership of the Society in 1900, and two years later commenced public practice in partnership with the late Mr. Joseph Smith, F.S.A.A., with whom he founded the firm of Smith and Hayward, Incorporated Accountants, Bradford. Mr. Hayward was senior partner in this firm at the time of his death. He was also a trustee of the Bradford Mechanics' Institute, and had previously held the offices of director and honorary secretary. For many years he was associated with Shipley Golf Club.

ARTHUR LEICESTER FRANCEYS

The South African (Western) Branch of the Society of Incorporated Accountants has lost one of its oldest members by the death on October 6 of Mr. A. L. Franceys, A.S.A.A., who was admitted as an Associate in 1898. Mr. Franceys was not in practice, but he was always an enthusiastic and staunch member, and his death is a loss to the profession in South Africa.

Books Received

Insurance of Profits. By A. G. Macken. Fourth edition. (Sir Isaac Pitman & Sons, Ltd., London. Price 8s. 6d. net.)

How to Pass Examinations. By T. G. Francis, B.Sc., M.I.E.E., A.M.I.Mech.E. (Sir Isaac Pitman & Sons, Ltd., London. Price 1s. net.)

Balance Sheet Values: the Limitations of Industrial Accounting. By P. D. Leake, F.C.A. Fourth edition. (Gee & Co. (Publishers), Ltd., London. Price 8s. net.)

The Law relating to Bankruptcy in a Nutshell. By Marston Garsia, B.A., Barrister-at-Law. Third edition by R. D. H. Osborne, B.A., Barrister-at-Law. (Sweet & Maxwell, Ltd., London. Price 6s. net.)

Jordans' Modern Book-keeping. Part I. By Frank H. Jones, F.L.A.A., A.C.I.S. (Jordan and Sons, Ltd., London. Price 5s. net.)

Average Clauses and Fire-Loss Apportionments. By Ernest H. Minnion, F.C.I.I. Second edition. (Sir Isaac Pitman & Sons, Ltd., London. Price 12s. 6d. net.)

An Outline of Statistics. By Samuel Hays, B.Com., F.S.S. Third edition. (Longmans, Green & Co., London. Price 8s. 6d. net.)

Guide to Income-Tax Practice. By Roger N. Carter, M.Com., F.C.A. Sixteenth edition by Herbert Edwards, M.A., assisted by Alan M. Edwards, B.Com., F.C.A. (Gee & Co. (Publishers), Ltd., London. Price 50s. net.)

Ringwood's Principles of Bankruptcy. Eighteenth edition by Herbert Jacobs, Barrister-at-Law. (Sweet & Maxwell, Ltd., London. Price 25s. net.)

Witton Booth on Valuations for Rating. Fourth edition by F. A. Amies, B.A., Barrister-at-Law, and E. Rowland Booth, F.V.I. (Butterworth and Co. (Publishers), Ltd., and Shaw & Sons, Ltd., London. Price 55s. net.)